the CREDIT WORLD

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BUSINESS FACES NEW FEDERAL CONTROL

Demands are growing to make Uncle Sam the protector and provider for everyone

"It seems to me that something could be worked out by the government through the drug companies so that patients could be supplied with essential medicines."

"The steel companies should be placed under the same controls that operate for gas and utility companies."

"If broadcasters are not going to do something about such television practices, then the government ought to take over the responsibility."

These are passages from letters that members of Congress are receiving from constituents as the lawmakers get ready to polish their campaign records for this important election year.

Several recent and well publicized events have aroused the public's concern about personal and economic problems. Television deceptions, cancer scares over food products, strike-locked industries, and expensive drugs are some of the things causing wonder and worry.

The messages from constituents to congressmen reflect these attitudes and emotions. Undoubtedly they are minority views. But they do show how Uncle Sam more and more is taking on a father image. To many individual citizens, the federal government is the Great Protector and the Great Provider. At the same time business is frequently cast in the role of a profiteer with a public-be-damned attitude.

This has all served to pump new vigor into several pending legislative ideas. It strengthens the chances that Congress will pass new laws to regulate business and pile on more government costs. It at least has helped make the public a little leery of many business practices.

Business may frequently be put on the defensive this presidential election year. Since the Eisenhower Administration has been called a big business administration, some issue-hungry Democrats may link the Administration and business together as a target for criticism. For example, industrialist Bernard Goldfine's gift of a vicuna coat to ex-White House aid Sherman Adams will be recalled to voters' minds, for sure.

Union leaders are still stinging from corruption charges that were rained on organized labor throughout the Senate Racket Committee hearings. The Executive Council of the Machinists Union, for instance, after the Landrum-Griffin labor reform bill was passed, said that Congress should "investigate and correct the greater corruption that exists," and assailed what it termed the "ethical deterioration of business and industry in America today."

The big corporation can be pictured in a menacing light by the politician of either party who seeks the vote of the so-called little man, as if the little man typified a universally needy and dependent electorate who can be cared for adequately only by the federal government. Few presidential aspirants have any identification with the conservative business point of view.

"It's got me worried sick—all this pressure to let government do it," says one conservative Democratic member of Congress, Rep. A. S. Herlong, Jr., of Florida. "People just don't seem to realize that government can become a dictator, not just an umpire, when it tries to control our lives."

Uncle Sam's role as protector and provider could well be enlarged in 1960, depending on the outcome of controversial proposals for:

1. Tax-supported welfare expansion.
2. Government regulation of business decisions.

These are major areas where federalization may thrust ahead.

One third of the voters expected to go to the polls next November will be more than 60 years of age.

This simple but powerful political statistic towers over shiftings and tuggings on specified welfare issues.

Several recent congressional and administrative actions have brought a sense of urgency to the problems of this expanding upper-age group. A Senate Subcommittee on Problems of the Aged headed by Senator Pat McNamara, Michigan Democrat, toured the country during the congressional recess drumming up interest in older people's problems from health to income to leisure time.

As a result, Senator McNamara has recommended a "substantial increase" in social security benefits. He has proposed using the social security setup to pay for medical care and hospitalization for older people.

For several years, Representative Aime J. Forand (D., R. I.) has been gathering support for his bill to amend the social security law to provide insurance against the cost of hospital, nursing home and surgical services to everyone eligible for old age and survivors benefits or who would be eligible if he applied.

The AFL-CIO rates the medical insurance proposals among its top legislative wants for 1960. So unions will be pushing hard for a new law.

In December the idea of federalized health insurance got an unexpected boost. U. S. Health, Education and Welfare Secretary Arthur S. Flemming told the American Public Welfare Association the Administration would offer a "positive program" to meet the health problems of the aging.

It was like firing a shot over an edgy herd of cattle. The stampede was on. The House Ways and Means Committee, which handles social security legislation, immediately announced that it would hold hearings and include consideration of "new types of insurance benefits."

The Forand Bill

"Flemming blew the breath of life into the Forand bill," Rep. Burr Harrison (D., Va.) told *Nation's Business*. Representative Harrison is chairman of the Social Security Subcommittee of the Ways and Means Committee. "I never knew the Administration to bring up an idea yet that the liberals didn't rush to the left of it," he said.

Other members of the Ways and Means Committee readily agree that the idea of compulsory health insurance—which until recently had little hope of getting out of the Ways and Means Committee—now is gaining momentum.

Still another push has been given the health insurance proposal by the Antitrust and Monopoly Subcommittee investigation headed by Senator Estes Kefauver (D., Tenn.) into the price of drugs.

The stated aim of the investigation has been to find out if drugs cost too much and if there is real competition among big companies in the drug field. The probe was part of the subcommittee's two-year study of what it calls administered prices—prices set by administrative decision more than supply and demand factors.

But since a disproportionate number of medicine users are elderly people, drug costs are, to a large degree, old-age costs. So the Kefauver probe dovetailed neatly with other pressures for federal health outlays.

Although about one person in eight spent time in a hospital in the past year and U. S. citizens on the average spent close to $100 a person for medical care, private insurance companies are recognizing and increasingly meeting the demand.

Protection Against Illness

Americans paid 1,200 insurance organizations $5.9 billion for protection against illness and injury over the past year, according to the Health Insurance Institute. Many of the aged are covered, too. By the end of 1965, it is estimated that 80 per cent of the elderly who want and need insurance will be insured, unless the federal government gets into the business.

Opponents of compulsory federal insurance point out that the Forand bill would deny social security beneficiaries freedom of choice in the use of social security payments by specifying how part of the money will be spent.

The bill would include about 1.6 million persons who are 65 or over but who are still working and able to buy their own insurance if they want it. Such an extension of social security would cost more in taxes on individuals and employers, would undoubtedly discourage both private initiative and local and state programs in this area, and would not protect all the elderly but only those eligible for social security.

Dr Louis Orr, president of the American Medical Association, has said the Forand bill is the "opening maneuver in a scheme to bring federally controlled medicine to the U. S. step by step."

Mr. Forand says: "Mail favoring the bill is pouring in and doctors are among the letter writers."

While conservatives on the Ways and Means Committee may be able to keep the health insurance idea from being incorporated in social security legislation this year, the idea could be tacked onto the Senate version of the measure. Then a compromise bill with strong enough backing could slip through the conservative House Rules Committee and win House approval.

Undoubtedly some revision will be made in the social security law. This statute has been broadened every election year in the past decade. At least the disability provisions will be liberalized and recipients may also be allowed to earn more than the present $100 a month ceiling and still collect their government checks. But the odds favor passage of federal health insur-

ance unless the opponents can convince the public that it is a step toward socialized medicine and lower medical standards.

In the past few months, the average voter has had reason to wonder if his favorite television program was rigged, if his Thanksgiving cranberry sauce was contaminated, or if there would be steel enough for new cars so he could replace his jalopy.

Quiz Show Fixing

Exposure of TV quiz show fixing and payola for record and product plugging over the air has already brought some federal action. The Federal Trade Commission filed complaints against record companies, and the Federal Communications Commission in effect told the broadcasting industry to adopt strict self-policing or face more regulations to assure that the public interest is served.

Attorney General William Rogers has recommended law changes to correct practices exposed in the broadcasting industry and to give the Federal Trade Commission more power.

Meanwhile, the networks themselves have been cracking down on questionable practices. But this will not stop individual lawmakers from proposing legislation that could range from government ownership of some broadcasting facilities to utility-type regulation of broadcasting profits to revocation of licenses of stations with poor records.

Most congressmen would be against drastic action and wary to censor program matter for fear of abridging freedom of speech. But federal agencies may be given more power, money and encouragement to go after false and misleading advertising or broadcasting practices.

For the first time in its 45-year history, the Federal Trade Commission several weeks ago held a conference of consumer and other organizations to discuss legislation or regulations to restrict deception in advertising and selling methods. Though voluntary policing by business itself was generally thought to be the best means of protecting the public, some delegates to the meeting suggested added rules and legislation with more government grading and labeling of product quality.

An amendment to the Food and Drug Act last year put the burden of proof on industry to assure the safety of chemicals used in food and cosmetics. It also prohibited the use in food of additives that have produced cancer in laboratory animals.

Just before Thanksgiving, Health, Education and Welfare Secretary Flemming alarmed the nation by announcing that some cranberries had been contaminated by a weed-killer suspected of causing cancer. A few weeks later, he banned the use in poultry of a hormone which had apparently led to cancer in laboratory animals. And he called for new laws to bar the use of the growth hormone in livestock feeds.

Meanwhile, under present law, food additives must be proved safe by manufacturers, processors and users by next month. So other foods and additives surely will be in the news.

No new additive may be used if it is found to induce cancer even if only the smallest trace remains in food. But the Food and Drug Administration—which is under the Health, Education and Welfare Department—must prove a chemical is cancer-producing in the case of food producers who have had permission to use the chemical in the past.

Ban on Chemicals

Secretary Flemming wants Congress to tighten the law so the Food and Drug Administration can impose a retroactive ban on such chemicals. Even if producers could show a person would have to eat hundreds of pounds of a particular food at a sitting to get harmful doses of cancer-causing chemicals, Congress would likely go along with any changes to toughen the laws in this emotion-packed area.

Impact of the 116-day steel strike—the longest in history—spread far and wide. Though the strike is now settled, in the minds of many including the President, the national emergency provisions of the Taft-Hartley law are inadequate to handle such labor disputes. Recommendations for fact-finding boards, labor-management courts, outright government seizure of strike-bound companies and compulsory arbitration all have more political appeal than action to control union monopoly power.

Labor-Management Disputes

Much of the public believes that, in labor-management disputes, the equitable solution must lie in compromise between what labor wants and management will concede. Political attempts to settle labor disputes tend toward this kind of compromise even when, for example, wage increases are not justified by increases in productivity and would therefore be inflationary.

Many put the January steel strike settlement in this category.

The steel industry, along with other industries with a concentration of large companies, has been blamed for promoting inflation through what congressional investigators call administered prices.

The latest phase of the administered price hearing by the Senate Antitrust and Monopoly Subcommittee put the drug industry on the griddle for the price of medicines. It charged that prices were so high many couldn't afford them.

"How ironical it is," points out Dr. Austin Smith, president of the Pharmaceutical Manufacturers Association, "that this industry should be criticized for the financial plight of millions whose lives have been saved because of the industry's contributions to medicine."

Subcommittee Chairman Kefauver says his group's purpose is to "determine whether antitrust laws as applied to this industry are adequate." He says he wants to find out if the public is adequately protected by competition and, if not, to write remedial legislation. Most drugs, he says, "appear to fall clearly within the definition of administered prices."

Erwin D. Canham, president of the U. S. Chamber of Commerce and editor of the *Christian Science Monitor*, noted recently that ". . . we stand in dire need of more opinion-development, more public economic education, and more public understanding of issues which carry the threat of more federal controls over business

(and) more federal intervention in the free market."

Of course, many members of Congress are against government interference with private business decisions on prices and other matters and against more government regulation and control.

Control Pressure Decreasing

As Representative Lee Metcalf (D., Mont.) and informal leader of the House Democratic liberals, told *Nation's Business,* "I don't think there's any great pressure for more government controls generally. But when you get down to specifics, everybody says that something ought to be done about this or that. I think the people who complain about the high price of drugs, for example, turn to social security broadening, rather than price controls, as a means of solving their problems."

However, the Antitrust Subcommittee has legislation pending before it which would require big manufacturers to let the government know before they raise their prices. Then, under the proposal, the Federal Trade Commission would be empowered to call public hearings on the reasons and justification for price boosts. Another price measure sponsored by Representative Henry S. Reuss (D., Wis.) was approved last year by the House Government Operations Committee. This bill would give the President authority to order hearings when he feels price or wage increases threaten economic stability.

If either proposal should be enacted, businessmen say price decisions would be moved from the market place to the political arena.

Goal of Organized Labor

A top-priority legislative goal of organized labor for 1960 is enactment of a new Federal Wage-Hour law. The AFL-CIO wants to extend the minimum wage coverage to millions of added workers and raise the minimum wage from $1.00 to $1.25. The legislation would force higher labor costs and in many cases mean higher prices and layoffs for some employees. Prospects are the law will be broadened, since the Administration also favors some extension of coverage, though no increase in the minimum wage.

Another union target is passage of legislation to fix federal standards for state unemployment compensation programs. Labor naturally wants bigger, longer-lasting benefits. Besides interfering with state rights in the field, such legislation would mean high costs for employers, since they would probably have to pay higher unemployment compensation taxes. Odds are against enactment of federal standards, unless there is sudden heavy unemployment.

Congress also has pending a bill to give the Federal Reserve Board power to control instalment credit for consumer durables, such as cars or refrigerators.

Another proposal which is gaining some strength would make business and lenders specify the total interest charge a consumer must pay on an item he buys on instalments. The idea is that public knowledge of high carrying charges supposedly would discourage too rapid expansion of consumer credit buying.

Bills in the House and Senate propose to broaden price discrimination prohibitions of the Robinson-Patman Act to make it mandatory for a manufacture to give wholesalers a functional discount not granted to retailers. It would mean a retailer who buys directly from the manufacturer would pay a higher price than a wholesaler for the same product.

Senate and House measures also would amend the Robinson-Patman Act to eliminate good faith as a defense for allowing a seller to discriminate in price to meet a competitor's lower price. Enactment could lessen chances for price cuts.

Another legislative proposal that would restrict business management would require firms to notify the government 60 days before buying or selling assets worth more than $1 million.

In his State of the Union message, President Eisenhower told Congress: "We must be ever alert that freedom does not wither through the careless amassing of restrictive controls. . . ." But public and legislative concern over inflation, competition, and questionable business practices in some minority instances will tend to increase the interest and pressure in 1960 behind bills to interfere with or regulate business.

"These pressures will be greater than ever during this session of Congress," predicts one business executive. "It means business will have to tell its story better, make the people realize how it serves them, and take more interest in legislative and political activity." ★★★

Modern Paperwork Handling With Minimum Capital Investment

ANDREW H. PHILLIPS

***Vice President*, National American Finance Company**
Baton Rouge, Louisiana

THE NATIONAL American Finance Company, a three-unit consumer finance organization, was founded by the National American Corporation of Baton Rouge, Louisiana, in October 1955 and was a logical extension of National American's operations. The Corporations, a subsidiary, was prospering and had funds available for investment. We knew from the start that we needed a good system for handling customer accounts and in addition, it was essential that we have close control over operations. With these objectives in mind, we looked for:

Our Four Objectives

(1) Small capital investment. Since money is our product, we wanted to keep all our assets as liquid as possible in order to have the maximum in cash available for loan.

(2) Extremely close control. By close control, we mean not only that control which safeguards the funds of the company, but also the up-to-the-minute facts on our position with relation to collections, total outstanding by type of loa" and funds available that would allow our officers to plan ahead for the long term, as well as make the important day-to-day operating decisions.

Only with this kind of "on time" information can you make logical decisions on where to place operating emphasis. Such decisions, as whether to step up collection efforts—how much and what type of advertising to run—cannot be made intelligently without proper facts on all phases of operations—rendered on time.

(3) Clerical efficiency. Since clerical expense is a major part of our cost of doing business, this area must be controlled down to the smallest detail.

(4) Service to customers. While this is listed last, it is perhaps the most important because, if our procedures fail to provide for the needs of our customers adequately, the other considerations will have little significance. A good system for a business like ours must, of course, give the customer an accurate record of his account, provide convenient procedures for loan payments (and this implies fast service at the cashier's counter) and allow him every opportunity to either re-negotiate an existing loan, or take out a new one.

At the start of operations under the new management, we adopted a straight manual method of recording receipts. Bookkeeping and window posting machines were ruled out because of their expense and the limited contribution they would make to our over-all efficiency.

We posted the customer's ledger and payment book separately at the counter. The accounts receivable journal was prepared the following morning.

This process was followed in the three offices at Baton Rouge, Grammercy and Norco. After typing and balancing, the journals from the Grammercy and Norco offices were sent to Baton Rouge. Ledgers were filed alphabetically by due date and kept at the cashier station. A multi-part loan and chattel-mortgage set, plus a separately typed ledger completed the records necessary for each account.

We realized that the shortcomings of this system were many and we were constantly on the alert to effect improvements. We felt that payments were not being recorded quickly enough. About 50 per cent of all loan payments are made at our three offices—and in rush periods such as Friday afternoon, we often had long lines waiting to pay.

Another area found to be lacking was in the control of payments. For instance, if the journal columns did not balance, each posting was checked for an error in subtraction. The error, once found, should have been corrected on the journal, ledger and customer's payment book, since it was possible to make the same error on all three documents. In practice, only one or two of these accountinng records might have been corrected. And there was always the inherent danger of a transcription error between the ledger, and the payment book or the ledger and the journal.

Where you have separate posting to multiple records, there is always the chance of deliberate alteration of one record with no absolute proof available as to the correct figure. Also, the speed at which journals reached my desk did not allow the desired flexibility of action.

This was the situation when we talked to Royal McBee's Data Processing representative who is a specialist in accounting systems. He presented a plan that seemed to fit our needs exactly. The plan involved two new sets of forms and a remarkably effective accounting board—the McBee Poster, shown below. All related records are held securely

Payment is recorded on McBee Poster.

by a series of metal pegs in exact position for posting. Records are loaded and unloaded on the board in a few seconds.

Here is how our new system works:

After the loan applicant completes the standard application form, his credit is checked by phone while he discusses financial information with the manager.

The application is returned to the manager and the loan approved. The original documents are now prepared with just two typings. The first typing completes the 4-part Waxspot carbonized loan set which consists of the (1) ledger card, (2) home office copy, (3) loan register, and (4) customer's payment book. The ledger and loan register are filed and the home office copy is sent to me in Baton Rouge. Typing of the 4-part chattel mortgage set and index card completes all work necessary to finalize the loan.

After signing the required notes, the customer receives the designated amount from the cashier.

The processing of payments is equally efficient. An uncomplicated payment can be handled in as little as nine seconds. One girl can handle 50 window payments an hour with this system, even more by mail payments. This is about twice the production we obtained with our previous method. We get about half our payments through the mail and the other half over the counter. The McBee poster is used with equal efficiency on both types of payments.

It might be helpful at this point to explain my reasoning behind the make-up of the four-part loan set. By making the payment book a carbon copy of the ledger, no discrepancy can exist between the amounts entered on the two records. Previously, in order to service the customer quickly, we prepared the ledger after the customer had left the office which is a potentially dangerous practice. The accuracy of our unit loan register is now guaranteed and the home office copy is immediately available for my information.

If the customer has neglected to bring his payment book, we align his ledger and a receipt form over the duplicate journal set. Otherwise the payment book is slipped under the journal and the ledger is loaded on top. The pegs assure accurate registration with the next posting line on the journal. The payment is recorded and a new balance entered. The customer's records are removed and our cashier is ready for the next customer! The whole process is remarkably fast. One girl can now handle as many payments as two girls under our previous method.

Waiting Line Eliminated

We have virtually eliminated the waiting line even during peak-load periods. When necessary, we assign our utility girl to taking payments and pulling ledger cards, while the cashier concentrates on posting.

There is an important side-benefit to the simplicity of the "one-posting" method on the McBee poster. Our cashiers are more than just clerical personnel. Each has been selected for her natural qualifications as a sales lady as well. While recording each payment, our cashiers check the outstanding balance to see if the customer is eligible to renegotiate an additional loan. If this condition exists, she will thank the customer for his patronage, and assure him that his credit is good with us and that he can negotiate for new funds any time he wishes. This kind of service can now be rendered effectively and without fear of detracting from the efficiency of the recording process.

At the end of the day, all journal columns are down added and the totals cross footed and proved. Amount paid on principal plus new balance must equal old balance and total interest plus total credit to outstanding must equal total amount paid. This is usually a formality but it provides us with proof of proper extensions on both customer's payment book and ledger. Of course, the total cash in the drawer is balanced with the total amount paid on the journal.

Before the proved (by journal proof) ledger cards are refiled, they are segregated by type of loan and taped separately. This gives us our interest charged and principal reduction by type of loan. These totals are also entered on the journal and balanced against the controls established. The duplicate copy of the journal is then detached and forwarded to me for inspection each morning.

Simplicity of System

One important benefit which we have obtained from the speed and simplicity of our new system is that each day's business can now be regarded as a unit. Formerly, we had a "broken day" for accounting purposes, we stopped our day at 2:00 p.m. The journal was then balanced and typed the next morning (a tedious job that took from one and one half to two hours). Now we post right up to closing time since the day's proving operation proceeds like clockwork on a journal that has been created as an automatic by-product of ledger posting. There is no delay in getting the figures to me for daily and long-term operating decisions.

We feel the Royal McBee system for consumer finance work, which features the McBee Poster, has given us the best over-all operation that we could obtain and without the capital investment necessary for so many paper-work systems today. Some of the principal advantages this system has provided are:

(1) Elimination of posting the same figures to three records in separate operations has reduced our clerical work-load by 50 per cent, enabling us to save the salary of one employee. And we still have extra capacity to handle any increase in volume.

(2) Better financial and management controls. This is due to the elimination of transcription errors and the opportunity for making unauthorized alteration of records. It also comes from the faster preparation and daily receipt of journals from which significant facts can be gleaned and compensating action taken in time to be effective.

(3) Service to customers has definitely been improved since the new system was installed. We have eliminated the peak-load waiting lines, we have also virtually eliminated errors in customers' accounts since both payment book and ledger entries are identical to the proved journal.

Our future plans call for a consolidation of the accounting of the three offices of National American Finance which are actually three separate Corporations. Customer account records will remain at each location, however, and the system outlined will not be altered.

We will maintain the general ledger in Baton Rouge and also write the payroll from this location. When this occurs, we plan to purchase a McBee payroll poster and the necessary forms. A favorite admonition of our accountant is that the poster must be used for all entries. No matter how small or miscellaneous an entry or correction may be he will stay clear of trouble, if he "puts it on the board." ★★★

Improved Operating Statements for Small Loan and Finance Companies

VICTOR G. TRIVETT, C.P.A.
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THE SMALL LOAN company in many respects is quite similar to the retail store operation, and could perhaps use to an advantage the retail store's income and expense statement format.

Just like a retail operation, the gross profit is not realized until the sale or collection has been consummated. The collectors of a small loan business are the salesmen, and they have a real sales job in selling the customers the need of reacquiring the loan they originally sold to the loan company.

These sales or collections reduce the stock in trade—the inventory of small loans. This small loan inventory, like the inventory of a retail establishment, usually possesses such qualities as depreciation with time or mishandling, requires working capital, can be pledged, and must be turned over in a specified period for a successful operation. This small loan inventory should be acquired by shrewd purchases of loans which the management feels can be easily turned over at a profitable markup in a specified period.

Just like the manager of a retail store, the small loan manager needs to know the source of his gross profit, how his interest was earned, and what happened to his working inventory of small loans during the past period.

The format suggested below, if used on a monthly basis, lends itself to the computation of the important ratio of interest rate earned on average small loans outstanding. Using average outstanding loans this ratio should approximate the interest rate set forth in the loan contracts, plus interest collected for prior period, delinquent payments, less uncollected interest for accounts unpaid during the reported period. In other words, this ratio goes up when the small loan inventory collections are improved, and the ratio goes down when loans become more delinquent.

If most of the loans are on a current basis, and interest earned is not distorted by delinquent payments, we have another important barometer of operations. This is the relation of interest earned to collections which indicates whether the present collections are earning the desired profit.

As in a retail operation most of the operating expenses are the direct result of the sales effort. The size and cost of the establishment and personnel staff are based on the number of customers and transactions that must be handled. Other major costs which are directly affected by the number of transactions and customers are: collection, credit check, printing, bookkeeping and auditing. It costs no more to handle a transaction involving a 50 per cent profit, than it does a ten per cent one.

Fifty-six per cent of the collection on a new 42 per cent, 24 month instalment loan is interest earned. This percentage steadily decreases as the loan progresses as per the following schedule:

When unexpired monthly payments are	24	21	18	15	12	9	6	3
The interest percentage of collections is	56	51	46	40	34	27	19	10

New loans of say $300.00 produce a gross profit (at 42 per cent interest) of $10.50 on the first month's collection. Later on this same loan will produce little profit, yet overhead costs to service this loan will remain constant. A good loan manager will keep his ratio of interest to collections high by making loans for a long amortization period, and he will persuade his customers to trade in their old half purchased loans for brand new larger loans that carry a higher earning rate on collections. In this way he keeps his customers fully loaned and his interest percentage of collections at the most profitable ratio.

Illustrated below are examples of the recommended statement form.

In the first example the average loan has an unexpired term of 15 months—most loans are originally for two years

Small Loan Company Income and Expense Statement

	Example I			*Example II*			*Example III*		
RECOMMENDED									
Collections on small loans		$105,000	100%		$75,000	100%		$210,000	100%
Less principal portion:									
Small loans beginning balance	$100,000			$100,000			$100,000		
Additional loans made	95,000			75,000			169,000		
Less payoffs	(31,000)			(25,000)			0		
Less uncollectibles charged off	(1,000)			(5,000)			(1,000)		
	$163,000			$145,000			$268,000		
Less small loans ending balance	100,000			100,000			100,000		
Principal portion of collections		$ 63,000	60%		$45,000	60%		$168,000	80%
Interest earned		42,000	40%		30,000	40%		42,000	20%
Interest rate earned on small loans	42%			30%			42%		
Operating expense (detail omitted)		21,000	20%		21,000	28%		42,000	20%
Operating profit		$ 21,000	20%		$ 9,000	12%		0	0
USUAL FORMAT									
Interest earned		$ 42,000			$30,000			$ 42,000	
Operating expense (detail omitted)		21,000			21,000			42,000	
Operating profit		$ 21,000			$ 9,000			0	

Finance Company Statement of Operations

	Discount Taken 20%, Deferred 20%				*Discount Taken 20%, Deferred 10%*			
	LOAN BALANCE UNCHANGED		LOAN BALANCE DOUBLED		LOAN BALANCE DOUBLED		LOAN BALANCE HALVED	
ANALYSIS OF INSTALMENT CONTRACTS								
Beginning balance		$100,000		$100,000		$100,000		$200,000
Add: Contracts purchased								
Cost	$105,400		$184,400		$184,400		$ 26,200	
Discount	27,600		48,600		48,600		6,800	
Face of contracts		$133,000		$233,000		$233,000		$ 33,000
		$233,000		$333,000		$333,000		$233,000
Less:								
Collections	$125,000		$125,000		$125,000		$125,000	
Rebates on payoffs	2,000		2,000		2,000		2,000	
Repossessions	5,000		5,000		5,000		5,000	
Bad debts	1,000	133,000	1,000	133,000	1,000	133,000	133,000	133,000
Ending balance		$100,000		$200,000		$200,000		$100,000
ANALYSIS OF OPERATIONS								
Discount on contracts purchased		$ 27,600		$ 48,600		$ 48,600		$ 6,800
Less:								
Deferred portion	$ 26,600		$ 46,600		$ 23,300		$ 3,300	
Rebates of earned income	0		0		1,600		1,600	
Dealers reserve	1,000	27,600	2,000	48,600	2,000	26,900	200	5,100
Discount earned on purchase		0		0		$ 21,700		$ 1,700
Discount earned on collections		$ 23,400		$ 23,400		9,700		11,500
Late charges		1,000		1,000		1,000		1,000
FINANCE CHARGES EARNED (Many reports commence with this item)		$ 24,400		$ 24,400		$ 32,400		$ 14,200

and are usually refinanced when six months are still outstanding. Under these conditions the payoff upon refinancing the old loans is about one third the original balance, and has the same effect as returned purchases for the retail store. Note that the actual write off of bad debts is disclosed as well as the provision for estimated uncollectibles (included in the operating expense detail).

The second example shows the same operation with a serious delinquency problem which is disclosed by the low interest earned on outstanding loans. During the operating period the collections have slipped $30,000 below the desired amount yet operating expense has probably remained constant.

The third example illustrates the unprofitable effect of having loans that are about to expire. They earn little interest, yet operating expenses remain at the same ratio collections. Collections and new loans are doubled, the loan office is extremely busy, operating expense is also doubled, and no profit is made.

Finance companies which purchase loans and time payment contracts at a discount could better interpret their operations if they had available a more complete management report of their operations than the usual report of Deferred Income Earned less Operating Expense. "Sources of income, and costs and expenses, should be presented clearly and in adequate detail."

Management should know what happened to their inventory of instalment contracts. How much newpaper was purchased for one period as compared with other periods? What was the discount on these contracts? Without detailed disclosure of the effective discount on new purchases a change in the discount taken, which affects future earnings, will not become apparent until later when the discount is actually earned.

If the discount is entirely deferred until earned on collections, rebates for early payoffs or repossessions would not appear as expense. Rebates would then be a refund of deferred income rather than a charge against earned income. Rebates are disclosed on the recommended format as a reduction to outstanding contracts.

The recommended format also indicates the actual relationship of discount on contracts purchased to the face and cost of the contract. Normally a similar relationship should be in effect between deferred income and outstanding contracts, and therefore also between collections and discounts earned on collections (except for a difference due to early payoffs which earn less interest due to rebates).

This would make full disclosure of a growing company that is reporting a more profitable operation by the simple expedient of merely deferring an inadequate portion of the discount.

A change in the character of the loans that the company is purchasing may be detected by a greater discount on new loans than in the past. Or a lower discount may indicate such factors as greater competition or a better character of the paper being purchased.

With the discount deferred until earned on collections, bad debts should not be any more of a hazard for a finance company than for any other type of enterprise that extends credit to customers. After charging deferred income with a proper rebate based on original discount, a properly made loan in most instances will show no loss from repossession and subsequent sale of the property involved. Repossessions should not affect the net income as they are merely concellations of pending sales or collections. The provision for uncollectible accounts should only be charged for the portion of uncollectible accounts which cannot be cleared by repossession.

The following recommended format makes full disclosure of the operations of a finance company under varying circumstances. Many finance company statements are rendered which do not disclose the pertinent facts in the upper portion of the format; they start with the item finance charges earned. ★★★

QUO VADIS CONSUMER CREDIT

DR. PAUL SMITH
Family Finance Professor
Wharton School of Finance and Commerce
University of Pennsylvania
Philadelphia, Pennsylvania

An address given at the annual meeting of District 12, NRCA, Philadelphia, Pennsylvania February 15, 1960

HISTORIANS like to divide events into periods. The turn of the century in American history is usually regarded as the end of the period of the westward movement and the beginning of a period of intensive development of industry. Such distinctions necessarily oversimplify events, but they also sharpen our understanding of history. Early events in the consumer credit industry were similar in many ways to the opening of the West. Tremendous opportunities existed for those who were willing to take the risks of a new industry. Business, like land in the West, was plentiful. But just as the frontiers of the West disappeared, an end must eventually come to the frontiers in the consumer credit industry and attention must be turned to more intensive development of the markets already in production.

No precise date can be set for the end of the westward movement and modern industrial development had begun long before the frontiers were gone. Similarly, no precise date will mark the passing of the consumer credit industry from an era of vigorous easy expansion into one of more mature development. Consumer credit has clearly moved into the stage of the intensive development of existing markets. Frontiers still exist as we have seen in the last few years with the opening of a number of new markets by new credit plans; but new markets are harder to find and less attractive.

Considerable evidence exists that the growth of consumer credit has slowed relative to the rest of the economy and other types of debt. This change, if it has occurred, has important implications for competition in the industry and for public policy. It does not mean, however, that consumer credit is a declining industry. There are many indications that it will continue to expand vigorously.

Since 1929 consumer credit has grown three and a half times as fast as other types of debt and about twice as fast as disposable personal income. This is not surprising. Any new industry expands much more rapidly than established industries, but it is obvious that expansion at such a rate relative to the rest of the economy cannot continue indefinitely.

Apparently the growth of instalment credit relative to other types of debt has slowed in recent years. Since 1953 the relationship of consumer debt to other debt types of private debt has varied from year to year but has not increased appreciably. At the end of 1953 consumer debt amounted to 9.5 per cent of total private debt. At the end of 1958 the ratio was 9.6 per cent. It seems unlikely that the ratio for the end of 1959 will be much higher. Instalment credit expanded rapidly last year but so did all other types of debt.

Consumer debt declined in relation to disposable income in 1958 for the first time since World War II, except for a drop in 1951 when credit regulations were in effect. The decline in 1958 reflected the drop in outstanding credit during the recession while incomes for the year increased slightly. Despite an expansion of $6.5 billion during 1959, consumer credit is not much above the 1957 relationship to income. It will undoubtedly increase to higher levels relative to income in the future; but it may be significant that the steady rise in this relationship has been interrupted.

No one knows the extent to which consumer credit facilities have increased, but it seems likely that the number has grown faster than the size of the markets. Branches of all types of financial institutions have increased steadily. The number of commercial banks engaged in consumer lending has increased and the number of credit unions continues to rise. The number of retail outlets that offer credit, either through their own plan or through a bank or finance company plan, has risen sharply. In addition, diversification has led to a wider variety of types of credit

available at existing facilities. Commercial banks, in particular, have extended their operations into a variety of markets with their in-plants credit operations, check credit plans and charge account credit. They have entered markets previously occupied only by specialized lenders. To a lesser extent finance companies and credit unions have also diversified their operations and offer a wider range of services.

Other signs of maturity may actually be more reliable than statistics. One sure sign of an established industry is its social and financial status. If the consumer credit industry had a Vance Packard comment on its social status, I am sure he would find it significant that the president of at least one of the country's largest banks came up from the instalment loan department, and that the head of one of the largest manufacturing corporations came from its finance subsidiary. It must also be significant that such financially discriminating people as investment bankers are now frequently seen at the conventions and meetings of the consumer credit industry.

Only a few more financial facts are necessary to establish the financial qualifications of the industry for maturity. Six companies in the consumer credit area now qualify for the exclusive billion dollar club on the basis of consumer receivables alone. The industry as a whole employs more funds than the entire chemical and steel industries combined. Perhaps the passing of the $50 billion mark of a few months ago is an indication that the industry has come of age.

One of the most important implications of maturity is the increased intensity of competition that can be expected. When new markets are being developed even the most inefficient operator can exist and possibly expand. As markets are developed, however, opportunities for expansion become more difficult and must be accomplished at least in part by capturing the business of other lenders. A brief catalogue of the credit plans and alternative sources of funds available to an alert consumer who wants to buy any major household item gives some indication of the extent of the development of credit in this market. The borrower usually has a choice of using a charge account, revolving credit account or a regular instalment account at the retail store where he makes the purchase. He may have a bank credit card or a check credit book if he wants to use bank credit. With somewhat more effort, he can arrange a direct loan from a commercial bank, a credit union or a finance company. We could add to this list but this indicates the astonishing variety of plans and rates available to the consumer.

Forces of Competition

Economists talk a lot about competition and can describe it in a generalized form, but they know relatively little about the forces of competition in this specific industry. They do know, however, that the interest rate is not the only competitive weapon in the consumer credit industry. Convenience, pleasant surroundings, privacy, contract terms, collateral, etc. are all part of competition for the consumer's credit business. These factors together with the cost of credit make up the product that the consumer buys. Convenience is certainly an important feature of revolving credit and the check credit plans. Terms are important in the competition for sale finance paper as everyone discovered in 1955. With more intense concentration in credit markets, it becomes essential for a company to recognize and exploit all of these competitive devices. Competition places a high premium on alertness in providing services to the consumer and on close attention to costs.

If consumer credit is reaching maturity, this fact has important implications for the public policy. Consumer credit has been one of the most spectacular forces for expansion in the last 20 or 30 years. Expenditures on automobiles and household appliances have been a force for growth similar to that provided by the construction of railroads and canals in the nineteenth century. The expansion in consumer credit has been so vigorous that it has added considerably to inflationary pressures during boom periods but it has also stimulated activity in periods of stagnation and recession. It was an important force for strength in the recovery from the depression in the thirties. It also speeded the recovery in all of the post-war recessions.

Credit After World War II

A preview of the new consumer credit may have appeared in the 1958 recession. For the first time after World War II, outstanding credit declined for an extended period during a recession. In earlier recessions the growth in credit had been so strong that it merely slowed down while other economic indicators declined. The slowing of the expansion of consumer credit may reduce one of the forces for expansion and growth but it may also reduce one source of inflationary pressure during boom periods.

A new industry like new neighbors is singled out for close and frequently critical scrutiny. The vigorous expansion of consumer credit resulted in a great deal of publicity and led many economists to attribute super-economic characteristics to this type of credit. They have frequently concluded that it does not respond to normal economic pressures but must be subject to special controls. Perhaps somewhat less spectacular growth on the part of the industry will lead to a better understanding of its relationship to the economy and to other types of debt and may reduce some of the pressure for selective controls.

Consumer Credit Controls

Regardless of the possibilities of such a development, there is considerable support for consumer credit controls in political and academic circles at the present time. The staff of the Joint Economic Committee of Congress has advocated controls in a recent report. Gordon McKinley, Director of Economic and Investment Research for the Prudential Insurance Company of America, recommended a federal law imposing a 24 month ceiling on instalment contracts in a recent speech in Chicago. Because of the current importance and interest in the question, I was asked to include some comments on the issues in this controversy.

The motives behind the desire to control consumer credit are complicated. Many of the arguments for controls contain moralistic overtones. The desire to protect people from themselves is hard to resist. Controls are also advocated to stabilize competitive conditions. This motive was acknowledged by a large number of automobile dealers who advocated consumer credit controls in a survey in 1956. The important issue, however, is whether these controls are essential to the reduction of inflationary pressures during boom periods.

During prosperous times, nearly everyone is optimistic and nearly everyone has plans for expenditures. The plans of consumers, businessmen and governments may add up to more than the economy can produce, however, and inflationary pressures develop. If inflation is to be avoided some of these expenditures must be checked. The debate develops when we try to decide whose expenditures should be cut.

For purposes of this discussion we can divide all purchasers into two types: those who can pay cash for their

purchases and those who must use credit. This distinction applies to businessmen and governments as well as to consumers. One generally recognized, but usually unstated, principle for allocating output has been to give cash purchasers priority by rationing the purchases of those who use credit. Although this may seem somewhat arbitrary, this technique stems largely from the recognized need for limiting the flow of new money in inflationary periods. It is a by-product of the struggle that has been going on for centuries to avoid debasement and devaluation of money.

The Federal Reserve System has the authority and power to control our money supply by adjusting the reserves of commercial banks. By limiting the funds available to the banking system, they can check credit expenditures in two ways. First, some expenditures are discouraged by the increase in interest rates that results from restrictions on bank reserves. Second, banks are forced to ration available funds and to reject some borrowers.

Inflationary Periods

These general controls are designed to check credit expenditures of all types and are intended to operate through the regular market mechanisms. During inflationary periods anyone who depends on credit must be able to pay higher rates for funds and must be able to convince banks and other lenders that the prospects for repayment are good. The impact of these controls on consumers, businessmen and governments is determined by market forces rather than by specific regulations.

Advocates of selective controls charge that consumer credit is not affected by general controls because the consumer gets preferred treatment. They argue that consumers are not sensitive to rates so that the demand for consumer credit is not reduced by increasing the rate to consumers. They also argue that lenders do not reduce the funds available to consumers because of the high yield obtained on consumer loans and in effect give top priority to such loans. They cite as evidence the fact that consumer credit has expanded during periods of tight money in the past.

Opponents of selective controls, however, argue that the past expansion of consumer credit has reflected its vigorous growth rather than its lack of response to credit controls. They argue that it has, in fact, responded to tight money policies and has increased at a slower rate than otherwise. They argue that any expanding sector of the economy cannot be expected to decline or level off in exactly the same pattern as more stable or declining sectors.

They argue that although consumers are not very sensitive to changes in interest rates, lenders restrict their loans to consumers as much or possibly more than to some of their other borrowers. This rationing is accomplished by applying stricter credit standards, by reducing advertising, by encouraging borrowers to reduce the size of their requests, etc. Some evidence is available that lenders do restrict their loans to consumers in periods of tight money, but this is a difficult point to prove.

The question of whether the consumer credit responds to general credit controls or whether it has unique characteristics and must be restrained by special controls is the central economic problem in the argument about selective controls. This question cannot be answered categorically with the information that is available. Informed views on the point are based, at least in part, on the judgment of the individual as to the effectiveness of the market in the allocation of funds and on his confidence in market decisions to direct the economy. It is easy to distrust the market if you are not pleased with the direction it leads.

The discussion of increased competition and of selective controls places an unwarranted emphasis on the negative side of the industry. There are many indications that the industry will continue to grow somewhat faster than income and other types of credit. The future of the industry seems very bright when judged by any standards other than its own past.

Even if new consumer credit business only holds its own in relation to income and population, a steady rise in the volume of business should be expected. Most economists forecast an increase in income at a rate of three to five per cent a year. The rise in outstanding consumer credit may be more rapid even under these assumptions if the trend toward longer maturities continues.

There are a number of forces, however, that suggest that instalment credit will continue to rise more rapidly than income. The composition of our population is changing. The bulge that begins in the teenage groups is steadily moving upward. Some of the behavior of this group is very predictable. We can be quite sure that the number of family formations will rise sharply in a few years. We also know that young families with children are the most regular users of consumer credit. The proportion of the population that uses credit, therefore, will be expanding for years to come.

Suburban living also encourages the use of credit and the best guess at the present time is that suburban areas will continue to expand and become more important. Suburban living creates needs for consumer durable goods that do not exist in the city: a second or third car, power mowers, tools, etc. Consumer credit is closely associated with the purchases of such items and as the proportion of the population living in suburban areas increases the proportion using credit should also increase.

Increase the Use of Credit

The development of any new types of consumer durable items could increase the use of credit. Technological changes are hard to anticipate, but a great many possibilities existed for further advances in consumer durable equipment. There are many advantages in consumer ownership of capital equipment. The owner has complete freedom and control over the use of the equipment and is independent of the rest of the community except for repair and service. This development has provided the backbone for the instalment credit industry. Further advances in the development of capital goods for individual ownership are almost certain to come and they will expand the demand for credit.

The extension of the use of credit to a wider range of articles and less expensive items could lead to an important increase in the use of credit. Revolving credit, check credit plans, and credit cards are obviously moving in this direction. The extent to which such developments will expand the market for credit and the extent to which they will replace older forms of credit is not yet clear. Certainly they will result in some expansion of the use of credit relative to income.

New markets for consumer credit will certainly be developed. Some of them may exist and may merely need someone with enough imagination to develop them, others will evolve with technological and social changes. The real opportunities for most lenders, however, lie in the development and expansion of existing markets through improvements in the services offered and through reductions in costs. ★★★

Development of High School Consumer Credit Course

WESLEY E. SCOTT

Head of the Department of Commercial and Distributive Education, Board of Education, Philadelphia, Pennsylvania

THE USE and general application of credit in business has been a theory discussion topic in high schools for years, but the real practical use and application of consumer credit has not been urged by our credit friends. And this latter is what I have been trying to activate in the high schools for some time. Such a program in the schools would not only be of practical educational value of the students, but the support of credit executives would help us train them for work in consumer credit offices, save you this basic credit training, and bring educational prestige to your profession.

My first encouragement came from Charles F. Sheldon, Manager of the Philadelphia Credit Bureau, Philadelphia, Pennsylvania. His interest in my consumer credit study ideas enabled me to present a credit project at one of the bureau luncheons in 1957. I challenged the bureau members to support me in organizing a Junior Credit Managers Association. This organization, which was approved by them, was composed of two outstanding senior high school students from each high school in Philadelphia who were interested in credit. The group met in a central credit office after school hours and not only listened to practical talks on credit by outstanding credit men and women, but they were taken on tours around these credit offices. The opening meeting was held at the Philadelphia Credit Bureau and the functions and operation of their work was shown and discussed. Then followed monthly meetings in department stores, banks, saving and loan associations, and small stores, so that the students could learn about different types of credit. The final meeting was a luncheon by the Philadelphia Credit Bureau, and prizes were given to the students for the best papers on credit. Many of these students were given jobs in credit offices before and after graduation, and their junior association training became mutually beneficial. The students also received beautiful club pins to wear as members.

Although this junior organization developed greater interest in credit, giving these students a practical understanding of consumer credit, the importance of credit in our economy, and presenting new career opportunities, it was only one facet for credit interest, and pointed out specifically to me the need for a real credit course in the high schools.

My second challenge to the Philadelphia Credit Bureau was for their help in organizing an experimental one-term course in consumer credit in one of our high schools. This challenge was accepted, and I obtained permission from my Board of Superintendents to begin such a course in the John Bartram High School. The program has been so successful that I now have two high schools in Philadelphia offering the course. I am sure you can visualize the far-reaching significance this course can have for consumer credit education. It needs your enthusiastic advertising and support throughout the high schools of your own city and state.

For your information, the basic textbooks we are using are: "Using Our Credit Intelligently," by the National Foundation for Consumer Credit, and "Everyday Consumer Business," by Prentice-Hall Publishing Company, New York. Following the some of the major subjects studied by the students in this course:

They are first introduced to the employment requirements for a credit office—such as character, grooming, skills, and legible handwriting. Then they receive a brief history of the types of credit—their functions and advantages, and the five "C's" of credit. Following is a discussion of the various organizations offering credit today. Then considerable time is devoted to 21 types of credit accounts and how each operates. The credit application and processing methods are followed by learning how to read a ledger card and detect errors, plus operating a cycle unit. Then the course develops billing methods, and collection procedures in detail. The course ends with considerable stress on good English, proper credit vocabulary and correct speech.

If this type of instruction could be given in the high schools all over the country, the significance and better understanding of credit activity in business by future citizens would be greatly upgraded, but it needs your personal action to spark the way. Many people have written to me for the course programs and content, and the most recent has been this letter from Victoria, British Columbia, where they plan to adopt this high school consumer credit work. Also, William H. Blake, executive vice president, is planning to adopt these two programs for your National Retail Credit Association, in the hopes that credit bureaus all over the country will advocate their use in their cities.

Another important step forward is a legible handwriting program which we are giving to the personnel of the Philadelphia Credit Bureau. It is the new and very popular Philadelphia system which aims for better legibility, in an effort to reduce credit bureau costs and misinterpretations of letters and figures. This is worth inquiring about to help reduce your operating overhead.

However, my final plea is to help spread this credit education to your schools, the results of which, I am sure, will upgrade the public thinking regarding consumer credit activities. ★★★

NRCA Tentative Program

46th Annual International Consumer Credit Conference

(Does not include ACBofA or CWBCofNA program.)

SATURDAY, JUNE 4

NRCA Executive Committee Meeting 9:30 a.m.
NRCA Pre Conference Board of Directors Luncheon and Meeting 12:30 p.m.

SUNDAY, JUNE 5

NRCA Board of Directors Meeting 9:30 a.m.

ICCC Educational Meeting 2:30 p.m.

THEME: "CREDIT EDUCATION"

Presiding: Charles E. Moorman, Credit Bureau of Jacksonville, Jacksonville, Florida

Topics: Credit in the Community
The Use of Psychology in Counseling
The Psychology of Communications—
Credit Bureau, Collection Service, and Credit Granter Relationships in Serving the Customer—
Question and Answer Period

MONDAY, JUNE 6

ICCC Sunrise Sessions 7:30 a.m.

Group A. Community Services
Group B. Collections
Group C. Credit Sales Promotions
Group D. How Job Satisfaction Can Best Be Achieved

ICCC First General Session 9:30 a.m.

THEME: "THE ROLE OF CONSUMER CREDIT IN THE CHALLENGING '60s"

Presiding: David K. Blair, President, NRCA
Choral Group
Presentation of Colors
Invocation

Addresses:
"The Changing Retail Scene"
"Management, Labor, and Government in the Future"

NRCA Dutch Treat Luncheon 12:30 p.m.

THEME: "IMPROVING DISTRICT AND LOCAL MEETINGS"

Presiding: William H. Blake, Executive Vice President, NRCA

Topic: "Basic Techniques for Improving Meetings"
A meeting for NRCA Officers and Directors to get acquainted with District and Local Association Officers, Directors and Membership Committee Chairmen.

NRCA and CWBCofNA First General Session 2:30 p.m.

THEME: "THE CONSUMER CREDIT OUTLOOK FOR THE '60s"

Presiding: E. A. Nirmaier, First Vice President, NRCA

Topics: The Consumer Credit Potential in the 1960's as Viewed by the Economist
Business Climate in Congress
Question and Answer Period

ICCC Ladies Tea 3:00 p.m.

Honoring the Wives of NRCA and ACBofA Officers and the Officers of CWBCofNA
Co-Chairwomen: Mrs. Joseph A. White
Mrs. Carl Hobbet

Chicago Night 7:30 p.m.

Entertainment and Dancing

TUESDAY, JUNE 7

ICCC Second General Session 7:30 a.m.

THEME: ANNUAL CWBCOFNA BREAKFAST

Presiding: Mrs. Helen Spendlove, President, CWBCofNA
Speaker: (To be announced)

NRCA and CWBCofNA Second General Session 10:00 a.m.

THEME: "OPPORTUNITIES FOR CREDIT SALES IN THE '60s" (As viewed by Industry Leaders)

Presiding: Joseph A. White, Credit Sales Manager, The Fair, Chicago, Illinois

Panel:

Communications	Instalment Bankers
Consumer Finance	Sales Finance
Home Services	Public Utilities
Petroleum	Retailing
Furniture	Mail Order Houses
Building Trades	Limited Price Stores

A "News Conference" with members of press, radio and television invited to question the panel members

NRCA and CWBCofNA Group Sessions 2:30 p.m.

Credit Sales Executives are always looking for new ideas and ways to build additional credit volume. These six Group Sessions are "How to" meetings, resulting in ideas. *Key specialists* will sit in with the Chairmen on Tuesday and Wednesday to "brainstorm" ideas.

Group No. 1: Department, Apparel and Jewelry Stores

THEME: "HOW TO INCREASE CREDIT SALES VOLUME"

Chairman: Henry C. Alexander, Credit Sales Manager, Belk Brothers Company, Charlotte, N. C.

Admission to Meetings by Badge Only

Group No. 2: Home Furnishings, Home Improvements and Home Service Industries

THEME: "BETTER LIVING IN THE HOME IN THE '60s"

Chairman: William F. Streeter, Credit Sales Manager, Davidson-Boutell Company, Minneapolis, Minnesota

Group No. 3: The Financial Industry

THEME: "MEETING THE FINANCIAL NEEDS OF THE AMERICAN FAMILY IN THE '60s"

Chairman: Dewey D. Godfrey, Vice President, Bank of Charlotte, Charlotte, N. C.

Group No. 4: The Health Professions

THEME: "BETTER WAYS TO SERVE OUR PATIENTS' CREDIT NEEDS"

Chairman: Stephen F. O'Connor, St. Mary's Hospital, East St. Louis, Illinois

Group No. 5: Public Utilities

THEME: "MAKING PUBLIC UTILITY CREDIT PROFITABLE"

Chairman: George W. Crawford, Alabama Power Company, Birmingham, Alabama

Group No. 6: National Credit Card Industry

THEME: "THE FUTURE OF THE CREDIT CARD INDUSTRY IN AMERICA"

Chairman: H. L. Miller, The Pure Oil Company, Chicago, Illinois

NRCA District Five Annual Meeting 5:00 p.m.

WEDNESDAY, JUNE 8

NRCA Quarter Century Club Breakfast 7:30 a.m.

NRCA and CWBCofNA Third General Session 9:30 a.m.

THEME: "PARTNERS IN PROGRESS"

Moderator: Carl A. Kilgas, Third Vice President, NRCA

Panel:

Management: "Where Are We Headed?"
Credit Sales: "Our Future Needs as We See Them"
Credit Bureau: "The Changing Bureau"
Collection Service: "The Professional Collector Looks Ahead"
Question and Answer Period

NRCA Business Session for Members 11:00 a.m.

NRCA Post Conference Board Luncheon 12:30 p.m.

NRCA Post Conference Board Meeting 2:30 p.m.

NRCA and CWBCofNA Group Sessions 2:30 p.m.

Group No. 1: Department, Apparel and Jewelry Stores

THEME: "HOW TO INCREASE CREDIT SALES VOLUME"

Chairman: Henry C. Alexander, Credit Sales Manager, Belk Brothers Company, Charlotte, N. C.

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Chairman: Bryce Bryar, Talman Savings and Loan Association, Chicago, Illinois

Group No. 4: The Health Professions

THEME: "BETTER WAYS TO SERVE OUR PATIENTS' CREDIT NEEDS"

Chairman: Stephen F. O'Connor, St. Mary's Hospital, East St. Louis, Illinois

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THEME: "THE FUTURE OF THE CREDIT CARD INDUSTRY IN AMERICA"

Chairman: H. L. Miller, The Pure Oil Company, Chicago, Illinois

THURSDAY, JUNE 9

NRCA District Officers Dutch Treat Breakfast 7:30 a.m.
Presiding: E. A. Nirmaier, First Vice President, NRCA
Topic: "District Targets for 1961"

ICCC Third General Session 9:30 a.m.

THEME: "THE ROLE OF CONSUMER CREDIT IN THE CHALLENGING '60s"

Presiding: Pren L. Moore, President, ACBofA

Topic: "An Objective Analysis of the Total Credit Card Growth"

Panel: Industry Leaders

Address: "Date With Destiny"

NRCA and CWBCofNA Legal Session 2:30 p.m.

THEME: "LEGAL ASPECTS OF CONSUMER CREDIT"

Presiding: J. C. Gilliland, Credit Sales Manager, Fingerhut Manufacturing Co., Minneapolis, Minn.

Topics: "The Uniform Commercial Code"
"Recent Decisions Affecting Retail Credit Granting and Collections"
"Model State Law Legislation"
Question and Answer Period

ICCC Annual Banquet 7:30 p.m.

Entertainment and Dancing

"The Role of Consumer Credit in the Challenging '60s"

FORTY-SIXTH ANNUAL INTERNATIONAL CONSUMER CREDIT CONFERENCE

Chicago

CONFERENCE DATES:
JUNE 5-9, 1960

Palmer House

Sponsored by:
NATIONAL RETAIL CREDIT ASSOCIATION
ASSOCIATED CREDIT BUREAUS OF AMERICA
CREDIT WOMEN'S BREAKFAST CLUBS OF N. AMERICA

Registration Blank

Name: .... (BADGE WILL BE PRINTED AS YOU INDICATE)

Spouse: .... (INCLUDE FIRST NAME FOR BADGE)

Firm: ....

Family: ....

....

Address: ....

City & State: ....

Type of Business: ....

Attending conference for first time ☐

Are you District Officer ☐; State Officer ☐; Local Officer ☐; District Director ☐; State Director ☐; Local Director ☐?

Mail registration blank with check attached made payable to: International Consumer Credit Conference, c/o National Retail Credit Association, 375 Jackson Avenue, St. Louis 30, Missouri.

CONFERENCE REGISTRATION

Delegates (ACBofA, CWBCofNA, NRCA) $25.00
Family (wife, children, other members of family) $20.00
Additional individual tickets will be available at the Registration Desk.

Full refund on advance registration will be made if cancellation is received prior to May 23, 1960. No refunds will be made after that date.

HOTEL RESERVATIONS

Conference registrations must be made before hotel reservations can be made. The Palmer House will be notified when your registration has been made. After you receive acknowledgment of Conference Registration from ICCC, direct your request to the Palmer House for the type of hotel accommodations you desire.

BANQUET RESERVATIONS

All seats at the CWBCofNA Breakfast and the Annual Banquet will be reserved. Table reservations may be selected at the Registration Desk, starting on Monday, June 6, 1960. Exchange tickets in your Conference Ticket Book for your reserved seat. If you wish to sit with friends at the Breakfast or Banquet, make certain that exchange tickets for your seats are accumulated and turned in at the same time.

Chicago is host to more than ten million visitors annually.

FROM THE *President's Pen*

Retail Credit Week and Democracy

DEMOCRACY, in its essence, presumes that the individual citizen would rule himself with the minimum of control by a central authority. No nation has yet achieved this optimum though we can proudly say that we have come farther toward this goal than most. The greatest problem that democracy faces is human nature. It is almost impossible to get human beings to rule themselves so that they will live their lives in such a manner as not to conflict with the interests of others. Democracy also requires that we live our lives with concern for the interests of others and that we actively engage in efforts to help our fellows in the pursuit of their endeavors.

This statement of democracy seems, at a glance, to be unrelated to National Retail Credit Week. However, let us pause and consider. You surely realize that if this country were ever to revert from democracy to a modern dictatorship, one of the first rights we would lose is the right of free assembly and secondly we would lose the right of free speech. These two great "rights," which we often take for granted, are the anathema of the dictator.

It then follows, quite reasonably, that the first step of any totalitarian government in this country, would be to make ineffective such organizations as the National Retail Credit Association. True, the odds against this happening are great, but we should realize that organizations such as ours are a real bulwark of democracy. Under our type of government, we have the right to assemble for our own betterment. We also have the responsibility to use that right in the common good.

There is a point that has often been forgotten by our fellow Americans and that is, each inherent right demands an equal responsibility. There have been many cases where the failure to accept the responsibility has caused the loss of the right.

We will, undoubtedly, always be plagued by those who demand our activities be controlled at either the state or federal level. It is not necessary, however, that we bow to those who would regulate our activities. It would be far better, if we could demonstrate to those who would control us, that we have both the desire and the ability to control ourselves.

In demonstrating this ability, we have no greater opportunity than during National Retail Credit Week, April 24-30, 1960. Here, through cooperative effort with our fellow credit granters, we have an opportunity to show our fellow citizens that we have a deep concern for their welfare. True, we are interested in more credit sales, but we are also vitally concerned in seeing that our customers do not become overloaded with debt. This is the story we have to tell. We want to sell on credit *only* to those who are entitled to credit.

If we can assure the citizens of this country that this story is true, there will be no need for regulatory legislation.

There is, as you can see, a relationship between National Retail Credit Week and democracy. Last year Good Human Relations Week was celebrated on the same days as National Retail Credit Week. This was a good omen. Let us hope that the two great "weeks" will be celebrated together this year.

David Blair

PRESIDENT
National Retail Credit Association

People and Events

Refresher Course in Lincoln, Nebraska

The Retail Credit Men's Association of Lincoln, Nebraska, has sponsored its Second Annual Refresher Course in Consumer Credit and Collections. The course, which ran for 18 weeks from October 6, 1959, through February 9, 1960, met every Tuesday morning in the Board of Directors Room of the First National Bank. Class sessions were one and one-half hours in length, with a break at which time bank officials arranged for coffee and rolls to be served.

The course was attended by 17 credit executives and their assistants. The picture below was taken at one of the sessions. Firms represented in this second refresher course included the two largest independent department stores, Gold & Company and Miller & Paine; three of the commercial banks, the Continental National Bank, the First National Bank, and the National Bank of Commerce; the Credit Bureau of Lincoln; a men's and women's apparel store, Ben Simon & Company; a furniture store, Hardy Furniture Company; a sporting goods store, Lawlor's Sporting Goods & Hardware; and a utility company, Central Electric & Gas Company.

The first course which was held during a similar period in 1958-1959 also was attended by 17 credit personnel. In each course certificates of completion were mailed to the presidents of the participating firms, who in turn presented the certificates to their employees who successfully completed the course.

Instructor of the course for both years has been Dr. Robert H. Cole, Associate Professor of Business Organization and Management, University of Nebraska. Dr. Cole has been in charge of the credit and retailing courses at the University for three years, coming to Lincoln from the University of Illinois. During the seven years he was at Illinois, he was responsible for the credit courses at that school. During this year's course, two guest speakers addressed the group; Max A. Denny, an attorney, talked on time-sales legislation, and W. W. Nuernberger, an attorney, discussed bankruptcy.

The text material used in the course was written by Dr. Cole and by Dr. Robert S. Hancock, Associate Professor of Marketing, University of Minnesota. This material makes up the first half of a book authored by Drs. Cole and Hancock, the last half covering the field of business credit.

Coming District Meetings

District One (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Provinces of Quebec, New Brunswick, Nova Scotia, and Prince Edward Island, Canada) will hold its annual meeting at the New Ocean House, Swampscott, Massachusetts, May 15, 16, and 17, 1960.

District Two (New Jersey and New York) will hold its annual meeting at the Hotel Syracuse, Syracuse, New York, April 23, 24, and 25, 1960.

District Three (Cuba, Florida, Georgia, North Carolina, and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi, Tennessee, and Bristol, Virginia) will hold a joint annual meeting at the Sheraton-Charles Hotel, New Orleans, Louisiana, April 24, 25, 26, and 27, 1960.

District Five (Illinois, Indiana, Kentucky, Michigan, Ohio, Ontario, Canada, and Wisconsin, except Superior) will hold its annual meeting in conjunction with the 46th Annual International Consumer Credit Conference at the Palmer House, Chicago, Illinois, June 5, 6, 7, 8, and 9, 1960.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, Fort William, Ontario, and Manitoba, Canada) will hold its annual meeting at the Blackhawk Hotel, Davenport, Iowa, March 27, 28, and 29, 1960.

District Seven (Arkansas, Kansas, Missouri, and Oklahoma) will hold its annual meeting at the Hotel Jayhawk, Topeka, Kansas, March 10, 11, 12, and 13, 1960.

District Eight (Texas) will hold its annual meeting at the Robert Driscoll Hotel, Corpus Christi, Texas, May 22, 23, and 24, 1960.

District Nine (Colorado, New Mexico, Utah, and Wyoming) will hold its annual meeting at the Hotel Continental, Pueblo, Colorado, May 15, 16, and 17, 1960.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Provinces of Alberta, British Columbia, and Saskatchewan, Canada) will hold its annual meeting at the Banff Springs Hotel, Banff, Alberta, Canada, May 20, 21, 22, 23, and 24, 1960.

Consumer Credit Management Program

The eighth annual Consumer Credit Management Program will be held June 5-10, 1960 at Arden House on Columbia University's Harriman Campus, New York, N. Y. Fifty-six business executives will have an opportunity to meet with experts in consumer credit management to consider the problems and outlook for the consumer credit industry during 1960-61. The Program was inaugurated by the Graduate School of Business Administration at Columbia in cooperation with a group of businessmen, commercial banks, national and New York State sales and consumer finance companies, and retail credit associations. The National Retail Credit Association is one of the cooperating national associations.

RETAIL CREDIT MANAGER WANTED

Chain of San Francisco Bay Area Jr. Department store needs top-flight man. Must have thorough background in retail credit and credit policies.

This is an exceptional opportunity for right man. Salary open. Write, giving full particulars to Box 3601, The CREDIT WORLD, 375 Jackson Avenue, St. Louis 30, Missouri.

National Consumer Credit Conference

"Consumer Credit in the Sixties" will be the theme of the 12th annual national Consumer Credit Conference, to be held on the Washington University campus, St. Louis, Missouri, March 27-29, 1960. Sponsors are the University's School of Business and Public Administration, and University College, its adult education division. Co-sponsors include national, state and local associations in manufacturing, wholesale distribution, retailing, banking and other financial institutions. The National Retail Credit Association is one of the co-sponsors. Persons from throughout the nation, representing business, education and government will attend. The conference is designed to deal with broad social and economic implications of developments in consumer credit, rather than with problems which are strictly operational. J. A. White, Credit Sales Manager, The Fair, Chicago, Illinois and a past president of NRCA, will address the conference on "Consumer Credit in Retailing." David K. Blair, president of NRCA, will participate as a member of a panel and William H. Blake, executive vice president, NRCA, will serve as vice-chairman of the conference.

New Assignment for William Johnson

William Johnson, Vice President, Neiman-Marcus, Dallas, Texas has been named director of new business development for the First Floor Men's department of the specialty store. He first joined Neiman-Marcus in 1930 as assistant credit manager. In 1941, he was named credit manager and in 1950 became sales promotion manager. He was appointed customers relations director in 1952 and elected a vice president in 1955. He is a past president of the Dallas Retail Credit Association; past vice president of the Retail Credit Executives of Texas; and a past vice president of the NRCA.

Annual Executive Development Program

The School of Business of the University of Colorado, Boulder, Colorado, will hold its annual Executive Development Program from June 12, 1960 through July 9, 1960. This is a two-week program to be participated in during each of two consecutive summers. The first year program will be held from June 21, 1960 through June 25, 1960. The program is designed for executives holding "middle management" positions. For further information contact Dr. Robert S. Wasley, Director, University of Colorado, Boulder, Colorado.

—For Sale—

CREDIT BUREAU, with Collection Department, in Rocky Mountain area. Town of 12,000. Terms available. Box 3602, The CREDIT WORLD, 375 Jackson Avenue, St. Louis.

Late model Robo-typer in excellent condition, reasonably priced. If interested write to Marvin E. Smith, Creditors Adjustment Service, 126 Fourth North, Edmonds, Washington.

—Help Wanted—

CREDIT MANAGER for furniture store located in the Midwest. Prefer man in his early 30's. Salary $6,000.00 yearly. Box 3603, The CREDIT WORLD, 375 Jackson Avenue, St. Louis 30, Missouri.

COLLECTION DEPARTMENT MANAGER, 30 to 45, must have management and promotional experience. Volume of new business now $200,000 annually. Midwest city of 80,000. Salary plus percentage of gross profit. Box 3604, The CREDIT WORLD, 375 Jackson Avenue, St. Louis 30, Missouri.

—Position Wanted—

CREDIT MANAGER. Eleven years' experience retail credit, sales promotion, branch store operation, automation procedures and systems. Under 40, college graduate. Box 3605, The CREDIT WORLD, 375 Jackson Avenue, St. Louis 30, Missouri.

San Francisco's Scholarship Awards

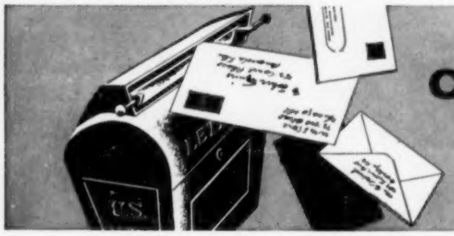
As a means of fostering higher education among people in the credit field, the Retail Credit Managers of San Francisco, San Francisco, California, established a scholarship fund for the year 1959. The fund was divided into three awards, $300.00, $200.00 and $100.00. The contest was open to all credit employees of member stores of the San Francisco Credit Bureau. Winners were chosen on the basis of the best essays on the general topic of credit. The winner of the first place $300.00 scholarship was Maureen R. Martinelli, an employee of Hasting's Clothing Store.

The second place $200.00 award went to Carol L. McDowell, a part-time worker of W & J Sloane Company. The third place $100.00 honor was won by Ruth W. Fleming of the Davis Furniture Company. The winners are permitted to use their scholarships in any field of formal study and at any accredited school.

The project created high interest and enthusiasm. Competition among all of the contestants was exceedingly keen. Judges had an extremely difficult time to decide upon the three out of 19 finalists.

In setting up the scholarship rules, contestants were required: 1. To be employed in the credit department of a member store; 2. To make application giving personal and business history; 3. Be sponsored by Credit Manager who furnished store history of applicant; 4. Submit essay on the general subject of credit. All identifying material was removed from application and essays and numbers were substituted for judging purposes. Judging was based on originality, thought, composition and presentation.

Shown below, left to right, are Maureen R. Martinelli, first award; Ruth W. Fleming, third award; Carol L. McDowell, second award; and John R. Ferguson, President, Retail Credit Managers of San Francisco.



CREDIT DEPARTMENT *Communications*

LEONARD BERRY

NATIONAL RETAIL CREDIT WEEK offers us a tremendous opportunity to *communicate* with our customers in a constructive and helpful manner. For seven days, beginning with Sunday, April 24, and ending with Saturday, April 30, 1960 we have an unparalleled opportunity to perform the dual task of encouraging creditworthy customers to use their credit potential for better living, and also of driving home the important lesson that all obligations must be *paid as agreed*.

We estimate that some 500 cities and communities will participate in *National Retail Credit Week*. Some will hold elaborate observances, using all kinds of publicity media to register the message, while others will of necessity have more modest programs. Whatever is done, much or little, it will be a sound investment in bettering consumer credit conditions locally.

No one in our field needs to be told that the use of credit is growing at a tremendous pace. Once limited to "large ticket" items for the most part, credit nowadays is successfully employed to sell every imaginable kind of goods and services. This is fine, and good for us and the economy as a whole, but we must admit that this widespread and lavish use of credit brings many operational problems trailing in its wake. Education of both credit granter and credit consumer becomes more than a lofty ideal to which we often pay lip service only; it is a vital necessity. The control of this Colossus of credit must be consistent and steady. People are being encouraged to use credit who perhaps have not before thought that credit could be obtained by them. We must tell them, clearly and considerately, but unmistakably, that credit is a modern device to bring more of the good things of life to more people sooner and cheaper to which they are entitled, but that at the same time, credit arrangements carry with them solemn obligations and necessity for prompt repayment.

This requires a constant educational program of which *National Retail Credit Week* is merely the peak. When we contemplate, as we must, a total consumer debt of over $50 billion, it is clear that we have responsibilities for the soundness of the sales our credit programs produce. This is a job for every one in the credit field, from big cities to tiny hamlets. All must do their part in keeping our credit economy flourishing and, at the same time, sound. This calls for development on an individual basis of skills in communication, both written and verbal.

We earnestly hope, therefore, that all loyal members of NRCA will respond willingly when asked to help make *National Retail Credit Week* highly successful. Your efforts will be valuable; and you will gain personally in deep satisfactions.

What we have said so far might be called your educational opportunity in the community to bring about better credit conditions locally. However, there are inviting openings in your own store or firm to capitalize on the public interest engendered by *National Retail Credit Week*.

National Retail Credit Week presents many credit sales opportunities. Direct mail campaigns for new credit customers, reactivating inactive accounts, encouraging more purchases by those already on the books, all can be built on the "Good Things of Life Through Credit" theme. Credit counselors can do much to create additional credit sales by suggesting complementary items to those items already selected. I have never seen it done, but surely *National Retail Credit Week* "specials" could be *merchandised*. People like "package" deals. Perhaps in your particular business you could gather together a package of related items, and sell the package during *National Retail Credit Week* for a special "per month" price. I have long felt that stores and firms generally have not fully developed this idea of merchandising credit by emphasizing "all this for only x dollars a month." One of the greatest advantages of credit to the merchant is that credit captures that additional profitable sale—the two instead of one—the higher priced item instead of the cheaper.

All during *National Retail Credit Week* we hope that there will be a constant barrage of publicity in every community about the pleasant and convenient aspects of using credit. And, of course, while we are selling credit, we will also be registering the message of prompt payment and the value of a good credit record.

There might well be a special bonus for you and your firm in *National Retail Credit Week*. We suggest that you send reminders during the week or just prior, to all those accounts in your *Profit and Loss Ledger!* With all this emphasis being placed on credit, it is entirely likely that some of your old P and L debtors might be stirred by awakening conscience, and your timely reminder, to want to "pay-up." Their circumstances could well be vastly improved now and payment of old bills completely possible.

National Retail Credit Week. Encourage your firm's publicity director to get in on the act. Step up your credit sales promotion programs. Go after collections with special vigor and imagination. Join with your fellow credit executives in the community in spreading the story of credit. Your National Office has prepared a KIT for community participation in the big event. Have you sent for yours?

This Month's Illustrations

Every once in a while we use this page to remind our members of the NRCA *Effective Credit and Collection Letters* service, from which all the letters shown on the opposite page are taken. For only $12.00 a year subscribers are sent each month four original credit and collection department letters dealing with every imaginable credit correspondence situation. Along with the four original letters come two pages of letter writing suggestions, credit sales promotion ideas, training program outlines, and many other useful comments. You are cordially invited to try this special membership service for a trial period of one year. Just write to your National Office, 375 Jackson Avenue, St. Louis 30, Missouri.

CREDIT SALES PROMOTION LETTER - INACTIVE ACCOUNT LETTER

Mrs. John C. Customer
000 Main Street
Your City, Your State

1

Dear Mrs. Customer:

? ? ?

Question marks can mean about almost anything, can't they?

In this particular case, they mean...Have you forgotten that you have a perfectly good charge account at this store?

Right now the store is humming with new season activity. Fresh and exciting stocks are ready for your approval. All of Us are eager to serve you.

? ? ?

This time the question marks mean...Won't you please come in soon?

Cordially yours,

MANAGER OF CREDIT SALES

CREDIT SALES PROMOTION LETTER - NEW ACCOUNT SOLICITATION

Mrs. John C. Customer
000 Main Street
Your City, Your State

2

Dear Mrs. Customer:

Is it possible to get something for nothing?

Probably not -- in the usual sense of something for nothing. But, here is one exception to the rule. A useful and convenient service which is yours for the asking...and which costs you not one cent.

We mean a monthly charge account at our store.

You will find a charge account especially helpful during the exciting months ahead. Purchases to be made for leisure wear, vacation trips, week-end jaunts, graduation gifts, special days on which you want to remember relatives and friends with thoughtful presents and many other shopping needs. It's ever so much more pleasant to shop the charge account way.

All you have to do is to complete the card and mail it to us in the postage-paid envelope.

Cordially yours,

MANAGER OF CREDIT SALES

CREDIT SALES PROMOTION LETTER - PROMOTING INSTALMENT ACCOUNTS

Mrs. John C. Customer
000 Main Street
Your City, Your State

3

Dear Mrs. Customer:

Here is something that you will find interesting and advantageous to you.

We welcome the privilege of serving our customers in tailoring special credit arrangements to fit their personal and family needs.

More and more of our customers are looking to our friendly and competent credit counselors for helpful advice in selecting the kind of credit service they should have. And we take sincere pleasure in doing so.

You know that our merchandise stocks are up-to-date and complete. You know that our salespeople are eager to serve customers in a thoughtful and helpful manner.

Now, the Credit Sales Department would be more than happy to consult with you on our various plans for budget payments.

Come in when convenient...we are at your service.

Cordially yours,

MANAGER OF CREDIT SALES

CREDIT SALES PROMOTION LETTER - WELCOME TO NEWCOMER TO COMMUNITY

Mrs. John C. Newcomer
000 Main Street
Your City, Your State

4

Dear Mrs. Newcomer:

It would be wonderful if we could find the right words to tell you how warmly we welcome you to Blanksville...if somehow we could make this letter reflect the pleasure we feel at your making your home in our community. Even if we cannot find those words, we hope you will let our deeds prove our sincerity.

To us, customers are friends...serving them, our privilege. Over many years we have enjoyed the confidence of our steady and loyal patrons. They have come to rely on us for the finest in fashion merchandise, superb apparel for all the family, plus thoughtful and interested service.

You are most cordially invited to become our customer and our friend. Please do come in soon and allow us to greet you personally. Credit facilities will be quickly arranged for you. And, if you bring this letter you will receive a small gift as a token of our sincere desire to earn your friendship and patronage.

Cordially yours,

MANAGER OF CREDIT SALES

Original collection letters selected from issues of National Retail Credit Association monthly service, Effective Credit and Collection Letters.

CREDIT SALES PROMOTIONS

Come and Get It!

CLAUDE S. BROWN, Brown Furniture Company, Fairfield, Alabama

WHEN WE OPENED our store in June, 1947, we simply said to the public, "Come and get it!" We started out with a store full of furniture and no customers.

Having been in and out of credit selling for some 25 or 30 years and having suffered few, if any, losses, I naturally assumed the same credit practices would apply to the furniture business. I always was of the opinion that 97 per cent of the buying public was honest and would pay their bills if you put them on their own and had confidence in them.

Most of our customers are now wage earners. They have families and live in modest homes. They make good money when they are working and the majority of them have some salted away for emergencies, sickness, layoffs, strikes, etc. Because our customers are not the type who devote time, effort, and money "to try to keep up with the Joneses," their purchases usually are household and family essentials.

A Typical Example

Several years ago a new customer came to our store and asked for credit. We were not acquainted with him, but we knew he had a good job and was making above average wages. We talked to him as we would talk to any other new customer.

After he and his wife had purchased something more than $300 in furniture and applicances, and we were discussing the manner of payment, he said, "I want you to know I have been in Debtors Court." To substantiate what he had said and to prove that he had made regular payments as required, he showed me a slip of paper with his record on it. So I agreed to let him have the merchandise.

Today, that family continues to be one of our good customers. We learned that the reason he was in Debtors Court was because of a long layoff in his work. He had worked at odd jobs to keep body and soul and family together, but he could not meet his major obligations.

Since that time we have sold hundreds of people who have been in Debtor's Court. Many were there through errors of judgment; others because of sickness, and still others because of circumstances beyond their control.

We then subscribed to the *Daily Commercal Journal & Business Tips* and began checking on people who had been in Debtors Court. We obtained reports on them from Merchants Credit Association and for those who had past records of good payment we opened charge accounts. Whenever we extended credit to these people we would sit down and go over their requirements, one by one. If they needed a new stove or refrigerator, we sold it to them. Usually when dealing in such essentials, we would try to picture ourselves in the same situation.

The success of our operation is the result of personal attention and service. We do not oversell. Nor do we try to sell our merchandise just for the sake of seeing it move. Yet our volume of sales has increased each year and last summer just prior to the steel strike we doubled the size of our store.

We then did not think our expansion program was properly timed. But now, since the strike has been settled, we foresee 25 per cent to 50 per cent increase in sales in 1960. A great deal of this increase will come from past customers in whom we have demonstrated implicit faith. Some who have moved from this area to places like Jasper and Clanton and other localities as far away as 100 miles, will return to us to buy their furniture and appliances.

Effects of Steel Strike

The steel strike also helped us to gain customers. *We told them that as long as they were on strike, we also were on strike.* No payments on accounts would have to be made as long as the strike lasted. Now that they are back to work all of them are making regular payments. One or two exceptions were customers who came to us in December and asked if they could skip their payments that month in order that their families might have Christmas gifts. Our advice was: "By all means, see that the family has a good Christmas."

Last year was a good year for us in spite of the steel strike. We were not bothered by competition. Our business is confined to personal transactions between ourselves and our customers. What the other fellow does is not our concern. We operate strictly on a man-to-man basis.

With the help of credit reports from the Merchants Credit Association and the *Daily Commercial Journal & Business Tips*, we will continue to take care of our business. Our doors are still open and we make no bones about telling people to "Come in and get it!" ★★★

You Would Be Surprised How Many Would Join NRCA

IF YOU ASK THEM

Local Association Activities

Washington, Pennsylvania

The officers and directors of the Retail Credit Association, Washington, Pennsylvania, are: President, Jennings H. Ullom, C & C Service; Vice President, Charles L. Sharp, Sharp's Furniture; and Secretary, Edna M. Siegel, Washington Credit Bureau. Directors: Vera Wilson, Hal Lewis, Inc., and Walter Pettit, Pettit Mid-town Texaco Station.

Atlantic City, New Jersey

At a recent meeting of the Consumer Credit Granters of South Jersey, Atlantic City, New Jersey, the following officers and directors were elected: President, Robert A. Schott, Atlantic City Hospital; First Vice President, Bruce Dimon, National Bank of Ocean City; Second Vice President, John Bonner, South Jersey Gas Company; Third Vice President, Fred Rishel, Guardian Savings and Loan Association; and Secretary-Treasurer, Harold Appleyard, Credit Rating Service. Directors: Fred Wennemer, Board-Walk National Bank; Charles Brown, Burkard Fuel Company; Robert Steen, Snellenburgs Blatt Department Store; Edgar Wolfson, Ventnor Furniture Company; Eugene Berry, Garden State Oil Company; Philo Shreve, First National Bank of Absecon; Lola Fox, Grammercy Dress Shop; Loret M. Downing, Brooks and Idler Printers; Hannah J. Scull, Homberger's Women's Wear; and John McCarty, American Finance Company.

Charleston, South Carolina

The Charleston Credit Managers Association, Charleston, South Carolina, elected the following to serve for the ensuing year: Officers, W. W. Muckenfuss, Miller Cadillac Company; First Vice President, Melvin Solomon, A. M. Solomon & Sons; Second Vice President, Agnes Wohlers, Charleston Oil Company; and Secretary-Treasurer, Francis J. Oliver, Credit Bureau of Greater Charleston. Directors: George Haselden, Citizens & Southern National Bank; Jack Cauthen, Kerrison Department Store; Herbert Oxler, Altman Furniture Company; and H. J. Almers, South Carolina National Bank.

Spokane, Washington

At the annual meeting of the Spokane Retail Credit Association, Spokane, Washington, the following officers and trustees were elected: President, C. Pat Craigen, Old National Bank; Vice President, John Hasstedt, Rees Hall Oil Company; Treasurer, Gene Larson, Sacred Heart Hospital; Secretary, N. M. MacLeod, The Credit Bureau; and Assistant Secretary, Melvin T. Warrick, The Credit Bureau. Trustees: C. R. McCabe, True's Oil Company; Walter Fatur, E. S. Burgan Furniture; A. A. Grover, The Bon Marche; Harold Laing, Hoffman Brothers Music; Doris McGinn, J. L. Cooper Company; Jack Sanford, Washington Water Power Company; and Hollis Stowell, Spokane Chapter of Credit Unions.

San Francisco, California

The Retail Credit Managers of San Francisco, San Francisco, California, elected the following officers and directors for 1960: President, John R. Healy, Crocker Anglo National Bank; Vice President, Glen C. Legoe, Standard Oil Company of California; Treasurer, Charles J. Benson, The Credit Bureau of San Francisco; and Charles W. Doran, The Credit Bureau of San Francisco. Directors: Albert J. Clark, The Emporium; Stanley Dettmer, Robert Kirk, Ltd.; James A. Duncan, Mercantile Acceptance Company; John R. Ferguson, City of Paris; Earl E. McIntyre, Morris Plan Company; Robert D. Moore, Bank of America; Norman E. Rankine, Van Ness Oldsmobile; W. H. Willitts, Hales; and George E. Zoffman, Four Wheel Brake Service Company. David Blair, H. Liebes and Company, and President, NRCA, installed the officers.

Spartanburg, South Carolina

At the annual meeting of the Associated Retail Credit Managers of Spartanburg, Spartanburg, South Carolina, the following officers and directors were elected: President, Virgil Bradford, Phoenix Furniture Company; First Vice President, Ray Denton, Olney Paint Company; Second Vice President, Mrs. Charles Grant, Kosch & Gray Jewelers; Treasurer, Donald Eaton, C & S National Bank; and Secretary, Perry Slaughter, Credit Bureau of Spartanburg. Directors: X. L. McMahan, Inman Federal Savings & Loan Association; John Giles, Carolina Cash Company; and Robert L. Wynn, Jr., Aug. W. Smith Company.

Quebec, Canada

The new officers and directors of the Quebec Credit Granters Association, Quebec, Canada, are: President, Lucien Roy, Provincial Bank of Canada; First Vice President, Pierre Blanchand, Canadian Import Company; Second Vice President, Rene Bergeron, J. B. Lalibert, Ltd.; Secretary, Rolland Gingras, Quebec Credit Bureau, Ltd.; and Treasurer, Hubert Belanger, Bank of Montreal. Directors: Paul Croteau, Paquet Company, Ltd.; E. Pelchat, Terreau & Racine, Ltd.; Donal Talbot, Irving Oil Company; Gerard Bureau, Dumais, Ltd.; R. Moreau, Finance Belvedere Corporation; Rolland Drolet, Credit Union of Sillery; and Rene Plante, Syndicate of Quebec.

Salem, Oregon

The Salem Retail Credit Association, Salem, Oregon, has elected the following officers and directors to serve for the current year: President, Melvin Bowcut, Consumers Finance Corporation; Vice President, Jean Bartell, G. Allen Hardware; and Secretary-Treasurer, Charles E. Shmitz, Credit Bureau of Salem. Directors: Mrs. Forrest Eckles, Good Housekeeping, Inc.; Donald R. Cowan, Davidson's Auto; William Mitchell, Dairy Cooperative Association; Leonard A. Van Kleek, Western Security Bank; David Chamberlain, Salem Memorial Hospital; Lorraine Eichelberger, State Finance; Delphine Savage, Henry Meyer Furniture; and Ernest W. Reames, Hogg Bros.

From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel

NATIONAL RETAIL CREDIT ASSOCIATION, WASHINGTON, D. C.

Washington Highlights

THE GENERAL SUBJECT of this Conference places considerable emphasis on "Tomorrow." It seems to me that this is an important point from the standpoint of the Washington sector of governmental actions that may concern consumer credit.

Money and credit is not only the blood stream of commerce, it is the heart throb of our national existence, whether in war or peace, good times or bad times. Like a barometer, money and credit is sensitive to even slight changes in the economic climate.

The Constitution provides that Congress shall have power to regulate money and credit. The amount of money in circulation and the terms of credit may be affected periodically, or even daily, by the action of the Federal Reserve, as it gauges the economic pulse of the nation. No power granted to our central government is more all-inclusive of the subject matter embraced than is the power over money. Can you find an example of greater amplitude of federal power than Regulation W, fixing, as it does, the terms of down-payment in dollars and cents, and the length of maturities in days, of millions of credit transactions by the individual citizen all the way down to the smallest store in the remotest corner of any of our "sovereign" states? These are but a few of the thoughts that pass through one's mind when thinking of the "tomorrows" ahead, as well as of "today" in Washington.

Until recently it appeared that credit controls legislation would be the most likely subject first to challenge our attention. However, the Douglas Bill, S. 2755, the proposed finance charges disclosure act, has grabbed the spotlight, and may hold it for the balance of this session. Upon introduction, this bill was referred to the Stabilization Subcommittee of the Senate Banking and Currency Committee. Senator Douglas who is chairman of that subcommittee, as well as of the Joint Economic Committee, promptly arranged for hearings to start March 15, 1960. The Douglas Bill requires, in connection with each credit transaction, a statement in writing (1) "setting forth the total amount of the finance charges to be borne" and (2) "the percentage that such amount bears to the outstanding obligation, or unpaid balance, expressed in terms of simple annual interest." Senator Douglas stated on the Senate floor that the object of the bill is to "assist production and stabilization"; and he specifically denied the purpose is to control consumer credit. Boiled down to something more concrete, it appears that proponents of the bill believe that better informed consumers will act more selectively and consequently stimulate competition. But if that be an objective (speaking of the retail area of consumer credit) it is difficult to see how you can have more competition in an industry already characterized by total competition. Without in any sense attempting to analyze the bill perhaps its worst feature is that it would pre-empt or take over a large area of state action, an area indeed where many states have already passed retail sales legislation in the past several years, and many other are preparing to do likewise.

This problem of the federal government taking over, or pre-empting, whole areas of authority heretofore reserved to the states, is disturbing many people today. If continued it may upset one of the great bulwarks of freedom—the separation and balance of powers.

Let me cite one other example of proposed legislation in the consumer field that raises this same serious problem, this same potential danger. Perhaps it is a reflection of certain current ideas about a *new "consumer economy"* we are supposed to be in. Bills have been introduced in the House and Senate that would create a "Department of Consumers" headed by a Secretary of cabinet rank. One of these bills was introduced by Senator Kefauver and 23 other Senators. This bill states that it would be the duty, among others, of such Department "to receive from consumers of the United States, *and to evaluate*, complaints concerning commercial and trade practices employed in the production, distribution, and furnishing of goods and services to or for the use of such consumers which may be detrimental to their economic interests."

That is broad language. When I read that I wondered how many complaints could be stirred up out of a volume of retail sales alone of $215.6 billions, the amount of such sales for 1959 according to the *Wall Street Journal*. How large a staff would it take to *"evaluate"* these complaints? What actions would the proposed new Department take?

In addition there are a number of bills and resolutions that would create in both Houses of Congress committees on "Consumer Problems." One of these bills says that it shall be the duty of the committee to conduct a study and investigation of "the *fairness* to consumers of *prices, quality*, and *terms* of sale for cost-of-living items." If you have been wondering how far regulation can go, it is obvious that "we haven't seen anything yet." Of course, I do not think there is any serious threat that such legislation will be adopted, but nevertheless such bills do suggest a changing atmosphere, a new philosophy, and a new situation that could have repercussions "tomorrow."

The Department of Justice also reflects this trend of a "new look" for the consumer. Attorney General Rogers has invited the attorney general of each of the 50 states, and of the territories, to attend a "National Conference on Consumer Protection" to be held in the Department of Justice on March 10 and 11, 1960. Subjects to be discussed include: "coordinating federal and state antitrust enforcement"; and "statutes against consumer frauds."

The question of controls legislation, while perhaps not immediately pressing (1) because of the priority givin to the Douglas Bill, and (2) because it is not the kind of subject from which political advantage can be gained in an election year, nevertheless is brought squarely to the front by the recommendation of the Joint Economic Committee. In its final report, just released, on its yearlong study of "Employment, Growth and Price Levels" it is stated: "We

Address given at annual meeting of District 12, Philadelphia, Pa., February 16, 1960.

recommend that legislation for standby regulation of the down-payment and of the maturity terms of consumer loans be enacted."

As a matter of fact Senator Bush of Connecticut had introduced bills both in the 85th and 86th Congresses to empower the Federal Reserve to regulate consumer credit. S. 63 is the pending bill, on which there has been no action up to now in the Senate Banking and Currency Committee. While many straws in the wind point to hearings and a strong attempt to pass standby controls legislation later, there seems to be a feeling, for the reasons indicated, that the Bush bill will not see the light of day in this session of Congress.

But there is no substantial ground for optimism as to indefinite postponement. Controls legislation has been agitated ever since the last experience with Regulation W in the Korean War. In the meantime the volume of consumer credit has continued to grow, while inflationary pressures have not been placed under control. During all of this period the forces for and against credit controls have waxed and waned as the economic climate has changed. The swing of the pendulum has included both the executive and legislative branches. For example, in 1953 at the beginning of the Eisenhower Administration, the Senate Banking and Currency Committee reported favorably on standby controls. At that time the Federal Reserve Board and the Treasury Department supported standby authority. A little later the Federal Reserve conducted a comprehensive study of the entire subject, covering six volumes of testimony, study papers, etc., and at that time, March 1957, took a position against credit controls. Thereafter the trend reversed again, until today the threat has become greater than at any time since Korea. Moreover; new fuel has been added to the fire in the form of the report of the Joint Economic Committee. ★★★

A Furniture Credit Sales Manager Looks At the 1960's

"The last decade has seen retail merchandise credit sales, both durable and nondurable, become a vital factor in the instalment credit picture in our economy," stated William F. Streeter, Credit Sales Manager, Davidson-Boutell Company, Minneapolis, Minnesota.

The retailer, according to Mr. Streeter, has felt the first impact of the population increase which started in 1938. Now the second phase family formation is taking place. These young couples are again looking to the local merchant to assist them in meeting the demands of married life.

The "good will" which retailers established with the customers will be the one factor which brings them back. Although the number of customers may increase, the more important item is customer satisfaction, which assures repeat business. "This can only be gained through giving service and credit. Customers' good will must be earned," said Mr. Streeter.

Credit regulation, rumblings of which are now heard on Capitol Hill, should not be considered too seriously. More important will be the consumer credit legislation passed at the state level. Here regulation will involve both instalment and non-instalment credit. Deceptive advertising will be discontinued.

With the steel strike settled, the business outlook for the retailer looks bright. Retail sales volume will continue to increase, thus necessitating more efficient ways of competing for credit business. More efficient and streamlined ways of reporting credit information by credit bureaus is essential.

STATE LEGISLATION

Florida: The law enacted by the 1959 Florida legislature to regulate instalment sales and revolving credit became effective January 1, 1960. State Comptroller Ray Green said every retail merchant who sells appliances, furniture, jewelry or any other type of merchandise on the instalment plan would have to obtain a license from his office at an annual fee of $5.00. The measure permits the time-price differential to cover interest and carrying charges of not over 10 per cent a year of the original amount of instalment contracts and of one and one-half per cent on the monthly balance due under revolving credit contracts.

Georgia: Loans made by the 748 small loan offices licensed under the Georgia Industrial Loan Act totaled nearly $200 million, according to a report issued by State Comptroller Zack Cravey. The small loan lenders are represented by the Georgia Association of Finance and Loan Companies, while those specializing in larger loans are represented by the Georgia Consumer Finance Association.

New Jersey: In his annual message to the New Jersey legislature, Governor Meyner called for tighter controls over instalment sales. He also urged a state-wide crackdown on consumer frauds which he charged were becoming more widespread each year.

New York: S. 142, a bill introduced by Senator Mackell, would require a seller of merchandise under conditional sales contract to inform the buyer in writing that he intends to or will factor, or discount buyer's note for amount due.

Another proposal would extend the definition of retail seller in the provisions of the state Retail Instalment Sales Act to include the licensor as well as the lessor of a department in a shop, store or other establishment, if liable to customers in respect to goods sold or services furnished (S. 749 by Pierce and A. 487 by Hanks).

Virginia: A bill to specifically authorize banks to offer revolving check credit was prepared for introduction in the Virginia legislature. Banks may charge a rate not to exceed one per cent under a written contract, to be computed on daily, maximum calendar, or fiscal month balances. Another provision is made for a service fee of 25 cents a check if the bank so desires.

Massachusetts: A state legislative study commission urged that "unfair and outmoded" laws prohibiting area banking be repealed and banks in Boston, Springfield, Holyoke and Fall River-New Bedford be permitted to have branches in surburban areas. The agency, the Massachusetts Special Recess Commission on Branch Banking, called for new legislation that would permit all banks to have up to three branch banking facilities in counties adjoining those in which their main offices are located.

Maryland: Lending companies in Maryland will seek higher interest rates and broader lending authority in the 1960 legislature. One proposal permits borrowers to make unsecured signature loans up to $800.00. Another recommendation already approved by the State Legislative Council would boost the lending limit for secured loans under the Maryland Industrial Finance Act from $1,500.00 to $2,500.00. Maximum interest limits would increase from six to eight per cent on loans of more than $1,500.00 but would remain at six per cent for those below $1,500.00. Increase in service fees from $20.00 to $50.00 was allowed.

Arkansas: State Insurance Commissioner Harvey Combs declares he intended to eradicate what he described as a loan insurance policy racket in Arkansas. His assertion stems from an investigation of reports of questionable activities referred to him by Deputy Prosecuting Attorney Fletcher Long.

District of Columbia: A proposal that Congress write into law as "official" automobile instalment sales contract that is "simple and concise" to protect automobile buyers in the District of Columbia was made by U. S. District Attorney Oliver Gasch who appeared before a House District Subcommittee. Gasch said that complicated sales and finance contracts confuse customers, but in subsequent legal actions are found to be valid and binding.

New Jersey: A bill to limit charges for automobile instalment sales financing was introduced in the New Jersey legislature by Senator John A. Waddington. The bill puts a seven per cent ceiling on loans for new cars; 10 per cent on recent model used cars; and 13 per cent on older vehicles. The proposed legislation would also license automobile agencies using instalment plans and would limit interest rates to 10 per cent on instalment purchases of other goods costing up to $7,500.00.

New York: A bill introduced in the state legislature would empower the state banking superintendent to examine books, records, and documents used by sales finance companies for determining whether licensees had violated instalment sales contracts, obligations or credit agreements.

North Carolina: New laws to regulate North Carolina small loan companies have been advocated by State Attorney General Malcolm Seawell. A special committee of the State Bankruptcy Committee is considering a bill to be submitted to the 1961 legislature.

Rhode Island: Banks and other financial institutions would be forced to pay interest on money put into Christmas and vacation clubs under terms of a bill introduced in the legislature by Senator Francis J. LaChapelle. The interest rate would be equal to other accounts.

Alabama: In spelling out what small loan companies must do to comply with Alabama's new small loan law, the State Banking Department issued 16 rules and regulations. The initial regulations stress record keeping. Strict rules also were included regarding advertising. Lenders are required to display rate charts in places of business showing the amount loaned, amount of interest, other legal charges, total indebtedness, amount of payments and total number of payments.

Kentucky: A bill introduced in the legislature would cut maximum interest on small loans to a flat one per cent a month on unpaid balances. On loans of $300.00 or less, present Kentucky law allows 3½ per cent up to $150.00 and 2½ per cent on the rest.

Rhode Island: A bill to regulate the instalment selling and financing of automobiles was introduced in the legislature. The measure would place all finance agencies under the supervision of the state banking commissioner; require all agencies to pay an annual fee of $100.00; and give the commissioner right to revoke licenses, etc.

SALES PROMOTION
INTERVIEWING
INVESTIGATING
AUTHORIZING
BILLING
COLLECTIONS
CONTROL

The CREDIT CLINIC

A "give-and-take" page, wherein readers may ask—and answer—questions about their credit and collection problems and solve them in the laboratory of practical experience.

Public Utilities

QUESTION

"Do you use the telephone as an added collection effort prior to making field calls? If so, what results have you observed and, in your opinion, is this added effort worthwhile?"

ANSWERS

W. T. Barnhouse, Office Manager, Southern Union Gas Company, Austin, Texas: We use the telephone as an added collection effort prior to making field calls in certain areas. It has been our experience that telephone calls in the lower income areas do very little good. However, in the middle and high income areas, the use of the telephone prior to field calls has been successful. We find that we reduce the number of field calls necessary thereby getting our outside collectors back into the poor pay section quicker. Also the customer is not embarrassed by a collector's personal call in an area where a collector is easily recognized. In summary, I would say the use of the telephone has been successful in certain areas and not in others.

C. A. Burns, Credit Manager, Union Electric Company, St. Louis, Missouri: We have used the telephone as a regular collection tool since early 1951. The results have been very satisfactory. We follow this procedure: Just before the first field call telephone numbers are checked and, if the customer has a phone, an attempt is made to call him—regardless of his paying record. During 1958, 65,000 such accounts were checked and 29,800 telephone numbers were found. These attempts are made to reach the customers. During 1958, 22,400 customers were contacted out of the 29,800 who had telephones. The customer contacted is told the call is about the past due bills. If the customer says he will pay the bill within a week the field card is held for rechecking some 10 to 12 days later, and just prior to our scheduled second field call in the district. In 1958 only 5,850 accounts remained unpaid 10 to 12 days after our telephoned request for payment. These results parallel those encountered in prior years and the same results are evident through May 1959. If the telephone calls had not been made the 22,400 accounts would have been sent into the field on the scheduled first call date. Based upon the results of calls sent into the field, approximately 50 per cent of the services would have been disconnected. On that basis 11,200 disconnections of service and subsequent reconnections were eliminated. Undoubtedly this also avoided a lot of the resentment and ill-will that accompanies suspension of electric service, even when such action is fully justified because of non-payment of bills.

James E. Malone, Credit Manager, The East Ohio Gas Company, Cleveland, Ohio: We use the telephone as a collection aid on some special accounts where conditions indicate a telephone call would be effective in securing payment of our bill, but do not use the telephone as an integral part of our collection treatment of delinquent accounts. The account where a telephone call could be made is when a disconnection is not contemplated and the only purpose is to prod the customer into getting his payment into our office. Our experience has shown, of the accounts that go delinquent, 75 per cent are paid within 30 days, without a reminder notice or a telephone call. Most of the other accounts are where a telephone call would not be effective. If the account is at, or near, the point of disconnection action, a telephone call may only delay bringing in the payment, since the customer has an opportunity to plead for additional time and it would be difficult to deny such a request on a call instituted by the company. I know many of my contemporaries are thoroughly sold on the use of the telephone in their collection program. However, at the end of a day of telephoning, they do not have any more money in the till, but do have a large number of promises to pay and, in very many of these cases, the account would have been paid at the same time without a telephone call. Do not misunderstand me. I am not opposed to using the telephone as a step in our collection treatment, but am only questioning its effectiveness in generating the customer into paying his account before he plans to make his payment or on accounts where it is necessary to threaten disconnection action to enforce collection.

Dairy and Baking

QUESTION

"Would the members of the panel please tell me when I should turn past-due accounts over to a professional collection agency?"

ANSWER

D. L. Silverthorn, Molers' Belmont Dairy Company, Dayton, Ohio: We believe that the route salesman should try to collect past-due accounts, even though he is required to make additional stops. If he is unable to collect he should at this point seek the assistance of his supervisor. The supervisor, because of his experience, may be able to collect the account or make a satisfactory arrangement for payment. Collection letters should be sent from the office upon the recommendations of the supervisor. After every effort has been extended and the account still has not been collected, then it should be turned over to a professional collection agency.

Reading this publication carefully and regularly will contribute to your success as a Credit Executive.

Consumer Credit Outlook

CONSUMER INSTALMENT CREDIT, seasonally adjusted, increased $270 million during December 1959, the smallest monthly rise since November 1958. The average monthly expansion of credit was $390 million in the fourth quarter compared with $510 million during the third quarter. Extensions of instalment credit in December amounted to $4,046 million, about $100 million less than the third quarter average, while repayments increased to $3,776 million.

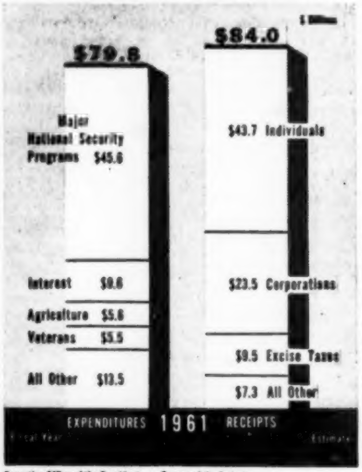
As in November, the decline in the rate of growth of instalment credit reflected mainly the reduced level of automobile sales. Outstanding automobile credit showed little change in December as extensions reached a low for the year and repayments a new high. Other consumer goods paper and personal loans each increased about as much as in the two preceding months.

NONINSTALMENT CREDIT OUTSTANDING, seasonally adjusted, increased $68 million primarily as a result of a rise in single payment loans. Total consumer credit outstanding rose by $338 million in December. At the year end instalment credit was $5.4 billion higher than a year earlier and noninstalment credit was $1.1 billion higher.

PERSONAL INCOME in December was at a seasonally adjusted annual rate of $391 billion, the Department of Commerce reported. This is almost one per cent above November and more than six per cent higher than in December 1958.

DEPARTMENT STORE SALES in December were the highest on record for the month as the seasonally adjusted index advanced three per cent further to 149 per cent of the 1947-49 average. This index level was four per cent above the previous December record of 143 established in 1958. Total sales during 1959 reached a new high, seven per cent above the 1958 level.

The FEDERAL BUDGET



Executive Office of the President • Bureau of the Budget

The Department of Commerce states that sales of retail stores for the full year 1959 will reach an estimated $215.5 billion, an advance of seven and one-half per cent over both 1957 and 1958. Most of the change from 1958 represents an increase in physical volume since prices at retail were up by some one per cent. Dollar sales of both durable and nondurable trades shared in the increase, with the former recording an especially large pickup. The five per cent increase in sales of nondurable goods was approximately the same as the annual increase that has occurred over the past few years.

BUSINESS ACTIVITY continues to move ahead in 1960. The labor agreement negotiated in early January in the steel industry assures that the current high steel output will be extended to benefit the supply position of consuming industries. This will permit expanding output of durable goods.

Despite the denials of increased price in steel by the industry, the announcement will be forthcoming. This will set off another round of price increases leading to further inflation. It is estimated that the cost of living index will continue to climb during 1960 and may exceed the estimated two per cent predicted.

JOHN S. SINCLAIR, president, National Industrial Conference Board, states that the per capita output in the United States has shown little, if any, rise during the past five years. This is in striking contrast to the vigorous growth of the rest of the world. The present rate of growth in the U. S. is approximately three per cent. America will have to increase its growth rate to five per cent just to hold its own.

THE AMERICAN CONSUMER is inclined to spend a large share of his increased earnings in the market

Changes in Department Store Sales and Accounts Receivable

Item December 31, 1959		Percentage change from: Month ago	Year ago
Sales during month:	Total	+62	+ 2
	Cash	+70	+ 1
	Charge	+58	0
	Instalment	+53	+ 9
Accounts receivable, end of month:			
	Charge	+34	+ 6
	Instalment	+13	+17

Collection Ratios and Percentage Distribution of Sales

Item	Dec. 1959	Nov. 1959	Dec. 1958
Collection ratios:[1]			
Charge accounts	47	48	49
Instalment accounts	15	15	15
Percentage distribution of sales:			
Cash	44	43	44
Charge	42	42	43
Instalment	14	15	13

[1] Collections during month as a percentage of accounts receivable at beginning of month.

Short- and Intermediate-Term Consumer Credit Outstanding

(Estimates, in millions of dollars)

Type of Credit	Dec. 31, 1959	Change during: Dec. Unadj.	Dec. Sea. Adj.	Year ended Dec. 31, 1959
Instalment credit, total	39,482	+ 759	+270	+5,402
Automobile paper	16,590	− 79	+ 16	+2,353
Other consumer goods paper	10,243	+ 556	+ 80	+1,320
Repair and modernization loans	2,704	+ 21	+ 29	+ 354
Personal loans	9,945	+ 261	+145	+1,375
Noninstalment credit, total[1]	12,564	+ 908	+ 68	+1,058
Single-payment loans	4,176	+ 59	+ 59	+ 530
Charge accounts[1]	5,351	+ 737	+ 10	+ 291
Service credit	3,037	+ 112	− 1	+ 237
Total consumer credit[1]	52,046	+1,667	+338	+6,460

[1] Includes amounts outstanding on service station and miscellaneous credit-card accounts and home-heating oil accounts, which totaled $406 million on December 31, 1959.

place to acquire the good and services that he needs. Consumer income is reported to have increased by $40 billion since 1956 and most of this found its way into the consumer market. Although his rate of savings has not gained, the consumer durable goods which he has acquired represents a considerable asset value.

GOVERNMENT ECONOMISTS view overconfidence as the only real cloud on the economic horizon. They figure high consumer spending could eventually induce businessmen to overbuild their inventories, leading to a down turn. But officials see no danger soon. They say economic expansion is under control.

CONGRESS has gotten off to a slow start this second session of the 86th Congress. The President's budget for the fiscal year 1961 calls for an expenditure of $79.8 billion and an estimated revenue of $84 billion. The $4.2 billion surplus is to be applied to reduce the national debt. The accompanying chart explains the tax dollar picture. The election year psychology will figure strongly in Congressional action on the new budget. Congress will make a special effort to follow a course of spending which meets with the approval of the voters.

CONSUMER CREDIT could come in for a great deal of airing and perhaps regulation during the months ahead. There is the Bush Bill, S. 63, which calls for the regulation of consumer credit by the Federal Reserve Board. Senator Douglas recently introduced S. 2755, a bill to make "full disclosure of consumer credit costs to buyers of durable goods" mandatory. Secretary of Labor Mitchell is reported leaning toward proposing a small increase in the dollar-an-hour Federal minimum wage. Senator Kennedy and Congressman Roosevelt have companion bills in Congress which would raise the minimum wage from $1.00 to $1.25 an hour and extend the coverage to include most retail business firms.

DR. GORDON W. MCKINLAY, executive director, economic and investment research, Prudential Insurance Company, speaking before the American Bankers Association's Policy commission, recommended "a Federal statute stipulating an absolute and unchanging maximum term of 24 months for consumer credit to reduce instability of that type of credit and thus contribute to more stable prices and more constant growth in the economy." He suggested this measure as an alternative to giving the Federal Reserve Board the power to control credit.

THE BOOM NOW SET FOR BUSINESS

	NOW	YEAR FROM NOW
TOTAL SPENDING IN U. S.* (billions)	$479.2	$504.9
Industry's output (1947-49=100)	150	159
Personal income* (billions)	$384.5	$400.2
Wages and salaries* (billions)	$251.9	$263.1
Farm cash income* (billions)	$34.0	$33.1
Factory wages (average, per hour)	$2.23	$2.32
Dividends* (billions)	$13.4	$14.3
Retail trade* (billions)	$219.0	$231.5
Cost of living (1947-49=100)	125.6	127.2
Corporation profits* (billions, after taxes)	$23.6	$25.5
Employment (millions)	68.4	69.8
Unemployment (millions)	3.6	2.9
Spending for plants, equipment* (billions)	$34.0	$37.4
Government spending for goods, services* (billions)	$98.3	$99.3
Home building* (starts, millions)	1.2	1.1
Steel output† (million tons)	143	120
Auto output† (millions)	5.9	7.2

*Annual rates, seasonally adjusted, for fourth quarters, 1959 and 1960.

†Annual rates for December, 1959, and December, 1960, not seasonally adjusted.

Source: Estimates by USN&WR Economic Unit.

The **NATIONAL BUREAU OF ECONOMIC RESEARCH,** New York, has begun a comprehensive study of consumer finance. The growth of consumer credit has focused attention upon a number of questions on which informed opinion is divided. For example, "Is it a factor which accelerates or retards the rate of U. S. economic growth? What is the relationship between consumer credit and savings? What economic effects do state regulatory efforts have?"

The Bureau, a non-profit research organization, hopes to answer these questions in this study. Four general areas mapped out for study are: (1) The business of consumer financing; (2) the consumer's use of credit; (3) trends and fluctuations in consumer credit; (4) consumer credit's place in the economy: a summary view.

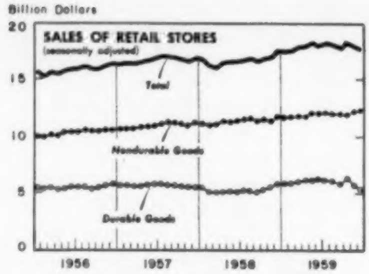
ENTHUSIASM of industrial workers in Smethwick, England for strikes has cooled off considerably and pubs are losing trade. The mayor credits "instalment buying" which was recently stimulated by Britain's easing of credit terms regulations, for the change in attitude. It seems that the womenfolk like their new TV sets and their electrical appliances and they want their men to continue working.

DR. GARY STEINER, University of Chicago, says "Many people do not pay their bills because they feel so guilty about the fact that they are behind. In fact, they feel so bad that their minds refuse to entertain any thoughts about the subject. Consequently, if they don't think of it, they can't remember to pay their bills." Dr. Steiner states that it is up to the collector to remove the guilt feeling. Through motivational research, methods must be evolved that will separate guilt from debt.

MONTGOMERY WARD & Company will offer a new credit vehicle to its credit customers in its spring and summer catalog. A combination 30-day charge and revolving credit plan has been added to the two conventional instalment programs.

A TYPICAL DINER'S CLUB card holder is described as: A male, 42½ years old, married with 2.1 children, high school graduate with some college training, a home owner, has an income of $16,876, has a car or two, and in most cases is an executive on the way up.

CREDIT CARDS are now spreading into dime stores. The S. S. Kresge Company plans to start using charge plates in 68 stores in the Michigan area. Woolworth is testing a similar system, and W. T. Grant already has introduced the cards in all of its stores.



IN DESCRIBING "The Creation of a Store Image," that of Neiman-Marcus in particular, Stanley Marcus said: "It would be impossible to build a store image without the help of its employees. For they represent to the public what the store stands for. . . . Employees can make a store alive and human or dull and unpleasant."

THE CENSUS for the first time will seek to determine how many people own washing machines, dryers, air conditioners and freezers. For businessmen, the census will draw a picture of growing markets. The 50.4 million households of today represent an increase of nearly seven million households in 10 years. Further, there are now 4.8 million more married couples than there were in 1950.

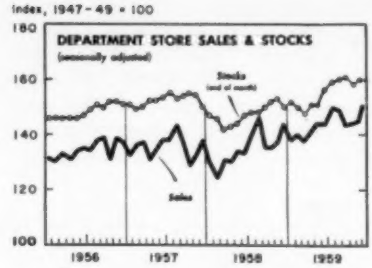
THE AVERAGE family's income has risen 50 per cent in the last 10 years, from $4,440.00 to $6,680.00 a year.

BETWEEN April 1950 and April 1959, the civilian population increased by 16 per cent from 149.6 million to 173.7 million. Of this gain of 24.1 million, the suburbs accounted for 15.3 million.

REVOLVING check credit will again come in for considerable discussion during the National Instalment Credit Conference sponsored by the Instalment Credit Commission of the American Bankers Association, March 21-23, 1960, in Chicago.

CONGRESS will consider granting tax help for small firms this session. The break would come in permission to deduct limited amounts plowed back into any business, such as reinvesting in plant, machinery and inventories. The limit would be 25 per cent of earnings up to a maximum of $30,000.00 in any year.

SENATE Labor Subcommittee has approved a revision of the Wage-Hour Law which would cover ten million more persons and would raise minimum wage from $1.00 to $1.25. Full Committee is expected to clear that bill for final action.



IN RESPONSE to election-year pressures, the House Ways and Means Committee reportedly will start work in March on legislation which could expand Social Security benefits.

FIVE private and one Government economist supports President Eisenhower's forecast for another two years of business expansion. They foresee the rise in consumer prices to hold to about one per cent.

Consumer Instalment Credit, by Holder and Type of Credit

(Estimated amounts outstanding, in millions of dollars)

Type of credit and institution	Dec. 31, 1959	Increase or decrease during: Dec. 1959	Dec. 1958	Year ended Dec. 31 1959
Total	39,482	+759	+758	+5,402
Commercial banks	14,922	+ 69	+120	+2,142
Sales finance companies	10,145	+ 28	+ 32	+1,405
Credit unions[1]	3,232	+ 49	+ 38	+ 564
Consumer finance companies[1]	3,764	+142	+104	+ 380
Other financial institutions	1,775	+ 31	+ 23	+ 250
Retail outlets[2]	5,644	+440	+441	+ 661
Automobile paper	16,590	− 79	+ 73	+2,353
Commercial banks	7,309	− 35	+ 45	+1,125
Sales finance companies	7,328	− 60	+ 9	+ 924
Other financial institutions	1,365	+ 20	+ 11	+ 222
Automobile dealers	588	− 4	+ 8	+ 82
Other consumer goods paper	10,243	+556	+471	+1,320
Commercial banks	2,553	+ 40	+ 29	+ 284
Sales finance companies	1,883	+ 53	− 4	+ 316
Other financial institutions	751	+ 19	+ 13	+ 141
Department stores[3]	2,298	+253	+238	+ 416
Furniture stores	1,167	+ 60	+ 58	+ 39
Household appliance stores	295	+ 5	+ 2	+ 3
Other retail outlets	1,296	+126	+135	+ 121
Repair and modernization loans[4]	2,704	+ 21	+ 16	+ 354
Commercial banks	1,941	+ 13	+ 7	+ 226
Sales finance companies	35	+ 1	0	+ 16
Other financial institutions	728	+ 7	+ 9	+ 112
Personal loans	9,945	+ 261	+198	+1,375
Commercial banks	3,119	+ 51	+ 39	+ 507
Sales finance companies	899	+ 34	+ 27	+ 149
Other financial institutions	5,927	+176	+132	+ 719

[1] Estimates of loans at credit unions and consumer finance companies by type of credit are included with figures for other financial institutions.

[2] Figures by type of retail outlet are shown below under the relevant types of credit.

[3] Includes mail-order houses.

[4] The face amount of outstanding FHA Title I loans at the end of December is reported by the Federal Housing Authority to be $1,798 million, of which an estimated $1,521 million is for consumer purposes and is included in the above.

Consumer Instalment Credit Extended and Repaid, and Changes in Credit Outstanding

(In millions of dollars)

	Total	Automobile paper	Other consumer goods paper	Repair and modernization loans	Personal loans
Without seasonal adjustment					
Credit extended					
1959—Dec.	4,686	1,293	1,616	166	1,611
Nov.	3,928	1,313	1,172	175	1,268
1958—Dec.	4,393	1,378	1,433	159	1,423
Credit repaid					
1959—Dec.	3,927	1,372	1,060	145	1,350
Nov.	3,626	1,303	1,019	145	1,159
1958—Dec.	3,635	1,305	962	143	1,225
Seasonally adjusted*					
Credit extended					
1959—Dec.	4,046	1,377	1,146	173	1,350
Nov.r	4,083	1,466	1,133	171	1,313
1958—Dec.	3,757	1,431	1,000	162	1,164
Credit repaid					
1959—Dec.	3,776	1,361	1,066	144	1,205
Nov.r	3,700	1,311	1,069	142	1,178
1958—Dec.	3,442	1,270	962	141	1,069
	Changes in outstanding credit, seasonally adjusted[1]				
1959—Dec.	+270	+ 16	+ 80	+29	+145
Nov.r	+383	+155		+29	+135
4th qtr.			+ 64		
mo. av.	+392	+151		+28	+139
3rd qtr.			+ 74		
mo. av.[2], r	+511	+214		+33	+143
2nd. qtr.			+121		
mo. av.r	+474	+222		+34	+ 79
1st qtr.			+139		
mo. av.[2], r	+369	+175		+22	+ 76
1958—4th qtr.			+ 96		
mo. av.	+164	+ 34	+ 33	+27	+ 70

[1] Seasonally adjusted changes in outstandings derived by subtracting credit repaid from credit extended.

[2] Changes do not reflect the incorporation of figures for amounts outstanding for Alaska and Hawaii in January and August, respectively.

NOTE: Estimates of instalment credit extended and repaid are based on information from accounting records of retail outlets and financial institutions and include finance, insurance, and other charges covered by the instalment contract. Renewals and refinancing of loans, repurchases or resales of instalment paper, and certain other transactions may increase the amount of both credit extended and credit repaid without adding to the amount of credit outstanding.

* Includes adjustment for differences in trading days.

r Seasonally adjusted data for first 11 months of 1959 revised to balance annual totals of seasonally adjusted data with annual totals of unadjusted data.

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